

APOLLO

FINANCIAL TIMES

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THE STEEL LINK

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NEWS SUMMARY

GENERAL

Vidow of Sir Winston dies

Spencer Churchill, widow of Sir Winston, died at London flat aged 93. Mr. Churchill, her grandson, Conservative MP for South Devon, died of a heart attack.

The first world war, Lady Churchill organised canteens for troops. In the last few years she had been raised nearly £2m. for the Cross Aid to Russia.

Local problems occurred later years and to make matters worse after Churchill's death she was forced to sell her paintings, silver and furniture. Her only income, from declining investment was a State pension of a week.

'spy' passed secrets

Ministry passed top material to East German newspaper claimed. The confirmed that the Federal Attorney said that the affair had more military than political significance. The activities forced the resignation of Herr Brandt, Chancellor, in 1974. Page 5

He arrives Chequers

French Minister, arrived to join talks at Chequers with Callaghan, Prime Minister.

Firemen offer

Many parts of the firemen's proposals for wages over two years as for settling the month. Union leaders there will be a compromise will recall the Brigades Union when the executive to approve to consider from regional committee.

Back to farm

Mark Phillips, husband of Anne, will leave the farm to become a farmer in their home, Park, Glouce.

Green supremo

Greenwood, caretaker of England, will be appointed manager.

Rel threat

Four-old schoolchildren holding for so many at they were jeopardised. O-level chances, Dr. Boyson, an Opposition spokesman, said.

'In jail'

Yard is investigating that drugs have been by officers into Brixton south London.

Y plea

Yard to operate between Gatwick and London made by Laker.

As stop

Between England and France cancelled because of French seamen against reduction of routes.

As clause

of schoolchildren in may have to cancel rehearsal because have not been given time to get licences. 1968 Theatres Act.

BUSINESS

\$ weak; slow start to equities

● EQUITIES started the three-week account slowly, and the FT index closed 1.4 down at 484.5.

● GILTS continued last week's upward movement, but rises were clipped towards the close.

● DOLLAR weakened further in advance of central bankers meeting in Basle (Back Page). Its trade-weighted depreciation widened to 3.56 per cent. (2.51). STERLING closed 121 points up at \$1.8315, its trade-weighted index falling to 63.4 (63.5).

● GOLD fell \$1 to \$158.

● WALL STREET closed 0.52 up at 815.75.

● U.S. TREASURY bills were: three 6.073 per cent. (6.049) and sizes 6.371 per cent. (6.347).

● CBI and Government are to hold talks next week to find a compromise on industrial planning agreements and industrial strategy. Page 8

● NORTH SEA OIL accounted for nearly half U.K.'s requirements in the third quarter of this year, says the Department of Energy. Page 9

● ENERGY conservation plan, aimed at saving about £700m. a year within a decade has been launched by the Government. Back Page

Shoppers spend less

● RETAIL SALES figures show that spending in the shops fell slightly in November for the third month running. Back Page; Editorial comment Page 16

● NATIONAL Freight Corporation is to have £53.1m. of its debts written off by the Government. Back Page

● IMPERIAL METAL INDUSTRIES has announced details of £3.5m. investment plans for its Birmingham plant. Page 9

● PHILLIPS PETROLEUM is to be sued by a Norwegian chemicals company for failing to supply on time natural gas liquids from its Ekofisk field. Page 8

● AIR PRODUCTS is to spend £10m. on an industrial gas plant in the Merseyside area. Page 9

COMPANIES

● NCB Pensions Fund £100m. offer for British Investment Trust has been accepted by just over 75 per cent. of shareholders, and became unconditional just before the 3 p.m. deadline yesterday. Page 28

● U.S. STORES conglomerate Carter Hawley Hale has made a \$25m. cash and shares offer for Marshall Field, which owns Chicago's largest department store. Page 32

● MARTIN the Newsagent second-half profits of £1.32m. (1985,000) have pushed the total for the year ended October 2 to a record £2.92m. Page 26

● ICI AUSTRALIA boosted its profit for the year to \$431m. (1976,5m.) from \$421.1m. (\$475.5m.). (SAG45m.). Page 23

British Steel wins union co-operation on redundancies

BY CHRISTIAN TYLER, LABOUR EDITOR

The loss-making British Steel Corporation achieved what appeared to be a breakthrough yesterday in winning trade union co-operation for phasing out its high-cost plants.

Steel union leaders agreed to local negotiations that could bring forward by about a year the closure of steelmaking at Hartlepool with the loss of about 1,500 jobs.

It is believed that compensation for these voluntary redundancies could be more generous than that paid out to 800 men at Clyde Iron in Scotland recently when the total cost of closure was about £2m.

Mr. Bill Sims, chairman of the TUC steel industry committee and general secretary of the largest steel union, the Iron and Steel Trades Confederation, confirmed last night that negotiations at Hartlepool could set a pattern for other plants.

The Hartlepool talks will start a week on Friday.

The significance of yesterday's meeting between Steel Corporation officials and the TUC committee is that it is the first time that unions have declared their readiness to acquiesce in a major closure.

It is the first fruits of the soft-pedal approach adopted by Sir Charles Villiers, the corporation's new chairman, after the failure of Sir Monty Finniston's attempt two years ago to push through substantial redundancies in the industry.

No figures have been put on the scaling-down operation now sought by the corporation to prise it out of its recession and projected \$500m. loss this year, but between 20,000 and 25,000 jobs have been mentioned.

Hartlepool itself was earmarked for closure at the end of next year. Because of the recession, steelmaking there was suspended at the end of last week, and on iron making from September 28.

Mr. Eddie Linton, convenor of the national craft unions, said that craftsmen were not involved, and that the plant mill would continue.

He said the unions would be seeing Mr. Eric Varley, Industry Secretary, to seek guarantees about the corporation's investment programme.

Mr. Varley is due to make a statement about the corporation when Parliament reassembles in the New Year. He is looking for more information from the unions and the corporation before then, and said yesterday that the Government was considering the question "urgently".

"What we are discussing is how to assist the corporation to achieve long-term viability that will allow it to guarantee people's jobs," he said.

Steel users demand action, Page 8



MR. BILL SIMS: negotiations could set a pattern

Unilever offer for National Starch

BY MARGARET REID

UNILEVER, the Anglo-Dutch foods and industrial combine, yesterday announced an agreed \$485m. (£268m.) offer for National Starch and Chemical Corporation, in one of the largest takeovers in the U.S. by a European group.

The deal, assuming it goes through, will be in pursuance of Unilever's long-held objective of substantially increasing its stake in the U.S., where it now has only 10 per cent. of its business compared with 70 per cent. in Europe, including Britain.

The acquisition, which is to take the form of a merger, would boost by 23 per cent. Unilever's existing sales of about \$1.5bn. in North America—through its Lipton, Lux and Lever Brothers detergents concerns—and raise operating profit (\$95m. in 1976) by a half.

National Starch, the 487th U.S. company by size, makes adhesives, starches and chemical products. Its shareholders are being offered a cash price of \$73.50 a share, which compares with \$44 at which the shares were suspended on December 1.

Holders will be able to opt, as an alternative, for \$73.50 of preferred stock in a new concern which would own National Starch after the merger.

The transaction is dependent, on a ruling by the tax authorities by the alternative would not attract gains tax.

No investment boom next year—NEDO

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THERE WILL be no major investment boom next year and recent forecasts of a 12-17 per cent. increase in manufacturing investment in 1978 appear optimistic, says a National Economic Development Office report today.

The report, from the mechanical engineering Little NEDDY, also warns that "growth in world trade in mechanical engineering products in 1978 will remain low by postwar standards."

The main reason for the failure of investment to increase as fast as predicted was that capacity utilisation was lower than expected. This was likely to continue into 1978.

"Pressure for uncompetitive manning levels on new plants in order to preserve employment in present conditions will also discourage investment," the report says.

"We have argued consistently that earlier forecasts of manufacturing investment were too optimistic on grounds of low profit expectations and concern about possible financial restraints arising from the need to finance rising working capital requirements under inflation. In real terms, profitability is still very low."

The failure of the new order intake to continue to improve after the pick-up in the first quarter of this year was "unprecedented," the report says.

"This fall reflected the faltering of economic growth and lower than expected levels of capacity utilisation in the U.K. and overseas, and a revival of anxieties about the possibility of an acceleration in U.K. inflation during the summer."

The increase in new orders for the mechanical engineering industry in 1977 is expected to be no more than 12-13 per cent. The Little NEDDY expects a further increase of some 5 per cent. in new orders in 1978 but

this would still leave them 20 per cent. below the 1973 peak.

U.K. demand for plant and machinery should broaden through 1978 from the sectors which have already begun to increase investment—the food, drink and tobacco industries in particular—to other industries such as domestic appliances, motors, chemicals, and North Sea oil.

The report insists that price competitiveness in overseas markets will be threatened if the recent relative strength of sterling is maintained and the U.K.'s rate of domestic inflation remains higher than that of competitors.

"However, we believe that many competitors' margins have been so severely squeezed by the recent recession and currency revaluations that they will seize every opportunity to raise their own prices."

Because of the current state of order books, the Little NEDDY has substantially downgraded its production forecast for 1977 to show a fall of some 2 per cent. on 1976, although this might not take into full account building for stock. Production in 1978 should rise 4 per cent., again a downward revision on previous estimates.

The Little NEDDY says that after a surprising 6,000 increase in employment in mechanical engineering between June and August 1977 little further rise can be expected through 1978.

Mechanical engineering short-term trends summary—free from NEDDY, Brooks, 1 Steel House, 11 Tolhill St., London SW1 9LJ.

Varley defends ships deal but hedges about costs

BY PHILIP RAWSTORNE

MR. ERIC VARLEY, Industry Secretary, yesterday refused to be drawn on the total cost to public funds of the £15m. Polish shipping deal.

His statement follows claims that the Government was spending as much as £37m. to secure the deal, partly through the £68m. intervention fund set up in March and partly through its contribution to the joint Anglo-Polish company set up to buy the ships and lease them to PZM, the Polish shipping company.

Mr. Varley said export credit guarantees had been provided as part of the deal.

Parliament, Page 12
Lex, Back Page

One extra year of employment for Gowanus, possibly Swire Hunter had been gained at the expense of an even worse future for shipyards generally and substantial damage to the marine engineering and shipping industries.

Taxpayer

The cost to the taxpayer would involve another £10m. in interest and exchange cover on top of the £25m. already spent.

The Government, in effect, was "going into the business of assisting Communist countries" which were already threatening the British shipping industry.

"Wouldn't it have been better if we had spent the money on the Royal Navy?" he asked. "It is at least on our side."

Final contract

Mr. Varley said that the deal had been a disaster in the shipping industry. A total of 88 per cent. of the work on the vessels would be done in Britain.

The deal, for 23 ships and two crane barges, was won three weeks ago after almost two years of negotiations.

The final contract has still not been signed, and Mr. Michael Casey, chief executive of British Shipbuilders, has said that he was prepared to lose the contract if he had not received "good behaviour" assurances from the workforce by the end of the year, which would allow him to place four unallocated ships.

Mr. Varley said the terms of the contract had fully satisfied the EEC Commission and the

Heath and Home speak out for regional list in Europe poll

BY RICHARD EVANS, LOBBY EDITOR

POLICY DIFFERENCES in the Conservative Party over the method of election to the European Parliament widened last night when two former Tory premiers, Mr. Edward Heath and Lord Home, spoke vigorously at a private Westminster meeting in favour of the regional list system of proportional representation.

Mrs. Margaret Thatcher, the Conservative leader, although allowing a free vote to-night's crucial Commons division, is passionately opposed to any form of proportional representation for Europe, which she fears could pave the way for a change at Westminster.

Mr. Heath, in particular, argued strongly for the regional list system on the grounds that it would hasten the holding of direct elections. In his view the U.K.'s commitment to the European Community must continue to be the party's top priority.

Following unofficial whipping of the Labour "pay roll" vote of ministers for proportional representation to protect Mr. David Steel, the Liberal leader, and maintain the pact—there should be a separate date for the regional list, but possibly not high enough to prevent demands for a special Liberal Assembly on January 7 to discuss the pact's future.

Most of the Cabinet, including Mr. Michael Foot, Lord President, and Mr. John Silkin, Agriculture Minister, but not Mr. Anthony Wedgwood Benn, Energy Secretary, are expected to vote for the regional list. Their change of heart has come about not because of a conver-

son to proportional representation but for tactical reasons.

Conservative supporters of proportional representation will be well satisfied if 70 or more Tories back the regional list. Among members of the Shadow Cabinet expected to vote for proportional representation are Mr. James Prior, and Sir Ian Gilmore.

Mr. Heath argued at the private meeting of the Conservative Group for Europe, attended by more than 150, that there was no disadvantage to the party in voting for the regional list system.

Neither Mr. William Whitelaw, deputy leader, nor Mr. Francis Pym, Shadow leader of the House, is likely to vote for proportional representation although sympathetic to it because of their anxiety not to embarrass Mrs. Thatcher by being in open conflict with her.

Some Tory supporters are convinced that backing for the system would have been greater had some Liberals not sought to make the pact dependent on the vote. Many Tory waverers, they are convinced, will now not vote for proportional representation in the hope of embarrassing Mr. Steel and Mr. Callaghan.

Editorial comment, Page 16

Support

Mr. Frank K. Greenwall, a director and chairman of the executive committee of National Starch, who, with his wife Anna holds about 15 per cent. of the shares, has indicated his support for the merger. The intention is that the Greenwall shares should be voted on the merger in the same proportion as the shares of all other holders.

The cost of the deal, to be carried out through the Dutch company, Unilever NV, which holds the partnership's interests in the U.S., will be met partly by \$150m.-\$200m. from the group's cash holdings in Holland and Germany. The rest of the money will come from the raising of long-term finance, perhaps preceded by an intermediate bridging operation.

Sir David Orr, chairman of the British Unilever company, said yesterday that, in the quest for suitable expansion, it had thought deeply about a dozen U.S. companies. A large number had not been suitable for anti-trust reasons or were incompatible.

Unilever strides into U.S., Page 25
Lex Back Page

5 in New York

	December 12	Previous
1 month	51.625-50.00	51.500-50.00
3 months	51.500-50.00	51.500-50.00
12 months	50.750-50.00	50.500-50.00

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PRICE CHANGES YESTERDAY

(Prices unless otherwise indicated)

Robertson Foods	134	+ 8
Simon Eng'g	214	+ 6
Spink & Son	290	+ 9
Tunnel B	257	+ 3
LASMO	30	+ 5
Melcochem	180	+ 12
McLeod Russel	66	+ 3
Bishopsgate Plat.	113	+ 4
Mariveale	900	+ 25
Parcontinental	448	+ 18
Peko-Wallasea	78	+ 4
Rusenberg Plat.	35	+ 3
Firth (G. M.)	65	- 6
May & Hassell	352	- 10
Bechtel	270	- 22
Waddington (J.)	339	- 16
Shell Transport	391	- 16
Southvale	117	- 1
Vaal Refcs	117	- 1

LOMBARD

Sagas of the North Sea

BY PETER RIDDELL

THE POWER of taboo in politics would make an excellent topic for any anthropologist studying Britain. Reform of housing finance has always been a forbidden subject inside the Labour Party, and now the easing of exchange controls on investment overseas looks like falling into the same category in the current debate about the use of North Sea oil revenue.

The fundamental opposition of the TUC and large sections of the Labour Party to any relaxation is well-established. What is depressing is not so much the conclusion reached but the way in which the subject is discussed. Overseas investment is disallowed automatically by many in the Labour Party because of its alleged effect on holding down investment and jobs at home. The possibility that spending on investments abroad and in the U.K. might be complementary rather than in competition is hardly considered.

Energy supply

The common starting-point of most in the debate is that since North Sea oil is a wasting asset the objective should be to build up a balanced portfolio of alternative income earning assets over the medium term. Similarly few would disagree with Mr. Healey's earnestly stated view that we must use as much as possible of the additional freedom provided by the oil to strengthen the U.K.'s manufacturing base and to develop new sources of energy supply.

Mr. Healey has gone on from this to argue that "overseas investment cannot be seen as an alternative to investment at home, not least because it would not provide a sufficiently direct or certain mechanism... to achieve sustained growth and to reduce unemployment. Indeed it could be argued that an over-reliance on income from overseas in the 19th century has been one reason for the relatively poor economic performance of this country during this century."

But this begs most of the main arguments in favour of liberalisation. For a start, it is fallacious to assume that there is a finite pool available for investment either at home or abroad; it can vary depending on the opportunities.

Furthermore if an outward flow of capital is not permitted the current account surplus could push up the exchange rate to a level which would damage exports, output, employment and investment in the U.K. On this view, a decision to permit increased investment overseas would both create income-earning assets abroad and reduce upward pressures on the exchange rate—maintaining the competitiveness of exports and stimulating activity and investment in the U.K.

This does not mean I am arguing for a wholesale relaxation—the aftermath of the introduction of Competition and Credit Control alone suggests the need for caution in a change of policy on monetary flows. Moreover, Treasury officials have been pointing out—in the current talks with the EEC Commission—that the sharp rise in the U.K.'s official reserves this year includes a high proportion of potentially volatile short-term liabilities which we are reluctant to exchange for medium-term assets.

Of course, if the more pessimistic forecasters of the current account are right the U.K. will go back into deficit within 12 to 18 months. But this seems to be going too far and there is a case for a controlled and partial easing of controls: indeed the annual outflow might not be especially big since large international companies may prefer their existing methods of raising finance locally.

Even Mr. Healey has conceded that "some increase in overseas investment may have a role to play later on." But the degree of ambiguity in the current British approach is in contrast to the views for example of Prime Minister Odvar Nordli of Norway. In an interview with Newsweek magazine earlier this autumn, he commented: "We have calculated that some 40 or 50 per cent. of our oil revenue should be placed outside our country's borders. Our domestic economy can't absorb it all... Personally I'd like to see that the capital surplus and the investments we will make abroad become a bank book for the economy so that we have something to fall back against in the day we run out of North Sea oil."

Norway has, of course, less serious industrial problems than the U.K. with negligible unemployment, and has much more scope for investing abroad. But the comparison does highlight a difference in thinking and approach: perhaps we should pay more attention to the Norwegian cure than to the Dutch disease?

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ALTHOUGH this is the time of year when wine drinkers are showered with advice as to what they should buy and drink over Christmas and the New Year, so far as vintage wines are included I believe that the essential acquisitions have already been made. I hope so anyway, for any fine mature bottle of claret, burgundy or vintage port deserves a period of rest before being opened. For the rest, topping up with spirits and more ordinary wines, still sparkling and fortified, calls for no special advice here.

However, this is very much the moment to take stock of one's cellar, even if, in many cases, the term be used more metaphorically than physically. It is the time to make provision for the years rather than the weeks ahead, and just now there are opportunities that may not readily recur. For following the recent price boom-and-bust that ended last year, a change has taken place in the wine trade here. Most merchants, and particularly the large groups that dominate the trade, are unable or unwilling to hold stocks of young vintage wines for a prolonged maturing period. More and more, therefore, the ultimate consumers must buy their vintage wines when young and keep them until reasonably mature.

This has been particularly clear in the past 18 months or so. Last year the '75 clarets were widely offered here, and this year the '76s. Then as soon as the port shippers declared 1975 vintage of port year, offers abounded on all sides. It is fair to say that never have young vintage clarets, still in cask, been sold to consumers on such a scale as the '75s and '76s; and this is probably true also of the '76 ports. There have been one or two offers of the '76 burgundies too, although laying down young burgundy has never been so common here in Britain as with Bordeaux and vintage port.

This does not mean, of course, that these vintages will not be obtainable in years hence, but they must be decidedly more expensive. This is plain already with such claret vintages as '86, '70 and '71. For one does not have to go back far to see how prices have risen. Taking second-level, not over-excessive, classed-growths like Brane-Cantenac, Ducru-Beaucailou and Pichon Lalande, the top price at auction in 1975 for Brane-Cantenac '86 was £36 a dozen, for Ducru-Beaucailou '70 £32, and for Pichon-Lalande '71 £28. This year the comparable top prices are £78, £74 and £41.

And who can doubt that in a couple more years they will be dearer still? The same applies to burgundies and to vintage ports too. Again going back two years, Light wines were produced in as large a quantity as can be afforded and as soon as possible. Prices have already risen sharply in Bordeaux for the '78s. A bottle of any of the three chateaux mentioned above costs not much under the equivalent of £5, ex-cellar—and already a distinguished St. James's Street wine merchant is pricing first-growths at £20 a bottle, at least double their normal price a year ago. Which is the better vintage, '75 or '76? In St. Emilion and Pomerol there seems little doubt that the '75s have more depth of flavour, but there are those who say that the '76 Medocs and Graves are very hard wines that will take many years to come round, whereas the '75s will develop more quickly. True, this autumn

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A good time to restock the cellar

WINE

BY EDMUND PENNING-ROWSELL

ALTHOUGH this is the time of year when wine drinkers are showered with advice as to what they should buy and drink over Christmas and the New Year, so far as vintage wines are included I believe that the essential acquisitions have already been made. I hope so anyway, for any fine mature bottle of claret, burgundy or vintage port deserves a period of rest before being opened. For the rest, topping up with spirits and more ordinary wines, still sparkling and fortified, calls for no special advice here.

Surrender draft brings £3,100

THE FINAL DRAFT of the instrument of surrender of the German forces to Field Marshal Montgomery on Luneberg Heath was sold to a Perth dealer, Donald Wilson, for £3,100 at Sotheby's yesterday.

SALE ROOM

BY ANTHONY THORNCROFT

for a carved tortoiseshell snuff box of about 1830. A large fawn tortoiseshell saucer-dish with praline cherries, bamboo and roses was sold at Christie's for £15,000 to the London dealer Eskeanz. The dish measures 20 inches in diameter and is of the Yung Cheng period.

Safety tests at naval base

EXPERTS have been called in to make safety tests at an 8th-century communications base which is threatened with closure even before its official opening on January 8.

FA choose Greenwood as England manager

THE SEVENMAN FA committee have last appointed Peter Greenwood as England manager. His selection, sound and predictable, was Mr. Ron Greenwood, who has been caretaker-manager since Mr. Don Revie departed to Arghia.

Persian Camp's turn today

ONE OF National Hunt racing's most respected and accomplished third-placed effort, the most exciting finish of the afternoon when they contest the second division of the Wymyard Junior Hurdle.

RACING

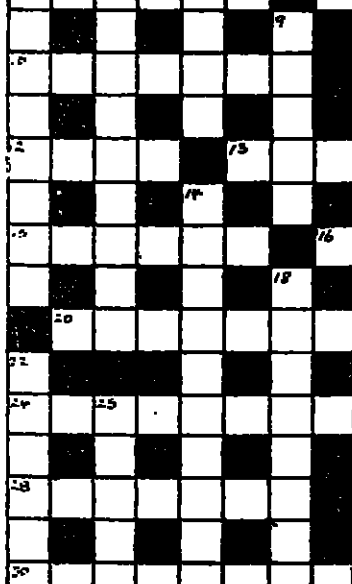
BY DOMINIC WIGAN

appearances, giving his best performance at Newbury last time in the North Street Chase. Always going well, Persian Camp found no difficulty in getting the better of the Queen Mother's Mile of Man once they were in line for home—although he could not hold off the much-improved Perambulate, to whom he was trying to concede 8 lbs.

TV Radio

12.45 p.m. News. 1.00 Pebble Mdl. 1.45 How Do You Do! 2.30 Pobjoy Cvm. 3.53 Regional News for England (except London). 3.55 Play School. 4.30 Astronaut. 4.55 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround. 5.10 Boss Cat. 5.35 Ivor the Engine. 5.40 News. 5.55 Nationwide (London and South-East only). 6.17 Nationwide. 6.40 One more time.

F.T. CROSSWORD PUZZLE No. 3,543



ACROSS 1 Plan to arrange my sets (6) 2 Bird returned and lost-bird which fell in small drops (8) 3 Ended everywhere (3, 4) 11 Lad holding mice reversed, a point (7) 12 In what manner learner follows a cry of distress (4) 13 What a wrestler tries to get 17 Unpunctuality of sailor going to cat on ship (9) 14 Put a plaster on your head, 18 Coatings of pitch seen on it's spotty (8) 15 Call it oriental insect (7) 20 Secret weep by disturbed Piet (7) 21 Ancient city in religious setting seen at regular intervals (6) 24 Left me in a moment to make a payment (10) 25 Don't hit young lady (4) 28 (In type of shirt or what goes under it?) 29 Best rice to be mixed for roasting mutton (7) 30 Raumbing but make a mistake with an attempt (8) 31 Little room to lose weight outside (6)

DOWN 1 Stand endlessly with desire (for a carriage) (8) 2 Sailor takes to his element—the Briny (4,5) 3 Envy with no love for jealousy (4) 5 Socialist — tried — like Rudolph? (3,4)

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BBC 2

11.00 a.m. Play School. 2.30 p.m. Trade Union Studies. 3.30 Politics Now—The Loneliest Job. 7.00 News On 2. 7.05 The 60-70-80 Show. 7.30 Newsday. 8.10 Floodlit Rugby League. 9.00 Prime Catcher at the National Cat Club Championship. 9.20 The Water Margin. 10.15 The Man Alive Report. 11.05 The 12.15 The Old Grey Whistle Test. 11.40 Close-down: Jill Balcon reads "What's done cannot be undone."

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What's in a name?

A name that's recognised can inspire envy or, in this case, confidence. It's a name with a reputation for accepting only the best, and maintaining the highest standards. An assurance for the wine-buyer that his choice has been expertly selected and carefully shipped. A very good wine reasonably priced. Distinguishing it from the ranks of all the rest. In other words, a name such as ours can sometimes be all the guarantee you need. Because when it says Bouchard Aine on the label, it says a lot for the wine. read the small print first Bouchard Aine Burgundy specialists and shippers of fine wine 85 BURY STREET, LONDON, SW1 Aine denoting the eldest son of the family

Spill in pits

EUROPEAN NEWS

A Yugoslav diplomat's sensational account of Yugoslavia's tortuous relations with the USSR since the Khrushchev-Tito reconciliation of 1955-56. PAUL LENDVAI reports

Memories of Big Brother

THE MEMOIRS of Mr. Veljko Micunovic, the former Yugoslav Ambassador in Moscow, have provoked a sharp Soviet protest to the Yugoslav Government. Last week copies of the 521-page volume disappeared from bookshops all over Yugoslavia. Prospective buyers were told that the book—despite a first printing of 10,000—had been sold out. It is the most candid and by Communist standards even sensational account ever published of Yugoslav-Soviet relations since the Tito-Khrushchev reconciliation in 1955-56. The reader also gets an inside view of the real background to the Soviet intervention in Hungary in 1956, the power battles in the Kremlin, the purge of the Molotov-Malenkov group, and the fall of Marshal Zhukov. Last but not least the author also provides unique glimpses of the atmosphere during the Suez crisis and character sketches not only of Khrushchev but also key figures who are still active such as Mr. M. A. Suslov and Mr. B. Ponomarev.

Though the book supposedly deals only with his Moscow Years 1956-58, Mr. Micunovic says in the foreword that the basis of Soviet-Yugoslav relations has not changed since. He should know. The 61-year-old author was Deputy Foreign Minister, again Ambassador in Moscow (1969-71), chairman of the Federal Parliament's Foreign Affairs Commission and finally, until 1974, a member of the Supreme State Presidium as a representative of his native Montenegro.

The Yugoslav enjoyed close personal relations with Khrushchev, quarrelling and arguing many hours with the Soviet leader, who in turn made him privy to many secrets of the Kremlin.

Mr. Micunovic gives a detailed account of a crucial flight of Khrushchev and Malenkov to Yugoslavia to confer with Marshal Tito on the night of November 2/3 1956 after the impending military intervention in Hungary at the time of his flight there. Their trip began with a bumpy ride in a small two-engine plane to Pola. After a further trip in a tiny motor boat across a rough sea, the two—by then thoroughly seasick—leaders arrived at Tito's villa on the Adriatic island of Brioni. They discussed with Marshal Khrushchev's then closest associates, Mr. Edvard Kardelj and Mr. Alexander Rankovic (purged in 1966), and with the author from 7 p.m. to 5 a.m. next morning the best course of action in Hungary. The Nagy Government there had proclaimed Hungarian neutrality and the return to a multi-party system.

The author confirms that President Tito agreed with the need for Soviet action. Mr. Micunovic also discloses that the Soviets and the Yugoslavs were in fact already discussing details of the programme to be put into power by the Soviet army, and who should head it. These and who should head it. These Yugoslavs supported Mr. Janos Kadar (who got the job) while Khrushchev favoured the late Ferenc Muenich, a former Red Army officer.

In a bout of indiscretion Khrushchev told Mr. Micunovic how he had got rid of Marshal Zhukov, the war hero who as Minister of Defence was a key figure in defeating the Stalinist Molotov-Malenkov group in June 1957. During the struggle for power in the presidium, Marshal Zhukov casually remarked that he could call out the army if necessary to settle accounts with the Stalinist group that made the Yugoslavs wary later: if Khrushchev was willing to use force against Molotov, he might equally move against Khrushchev himself.

The Minister of Defence was sent for an unusually long three-week trip to Yugoslavia and then to Albania in the autumn of 1957. On his return he was driven straight from the airport to the session of the presidium

only to be informed there and then that he was relieved of all his functions.

The completely bewildered marshal rang Khrushchev from home: "What has happened, Comrade Khrushchev? You know me, we are friends and I just cannot understand a thing." Khrushchev curtly replied that he had absolutely nothing to say before they met at the forthcoming plenary meeting of the central committee convened to approve the decision of the presidium. The Soviet leader told Mr. Micunovic this story to show what he called his impartiality towards "friends". Zhukov's fate and the later treatment of Khrushchev, according to Mr. Micunovic, show the crucial role of the army but also how the system treats purged leaders as social outcasts.

The author obviously regards Mr. M. A. Suslov, at 75 still the emmentence grise of the Soviet Politburo as the most evil influence on Soviet policy. In a postscript, written in 1974, Mr. Micunovic recalls how Suslov always acted as prosecutor: in 1948-49 against the Yugoslavs, at the plenary meetings of the central committee in 1957 against Molotov and his associates, four months later against Marshal Zhukov, and finally, in 1964, against Khrushchev himself.

At a stormy encounter with the author, Mr. Suslov in April 1958 sharply attacked the new Yugoslav party programme without even offering a seat to the Yugoslav envoy who had brought along a copy of the programme sent by special plane from Belgrade. Mr. Suslov's tone was such that Mr. Micunovic shouted back: "We are talking about the programme of the Yugoslav communists, not that of the Soviets."

Mr. Micunovic says that Mr. Boris Ponomarev, then and now one of the Kremlin's chief trouble-shooters in the international Communist movement, two years after Khrushchev's famous secret speech about the horrors of the Stalin era still had a picture of Stalin on the wall of his office in the Kremlin.

Recalling humiliating details of talks about Yugoslav requests for modern Soviet fighters and tanks, Mr. Micunovic warns against giving in to Soviet demands which might lead to unilateral and excessive dependence on supplies of Soviet arms. He leaves no doubt that he believes that Moscow wants to bring about Yugoslavia's re-entry into the bloc. His catalogue of Soviet forgetfulness of Yugoslav statements, of bugging and police provocation, of double-dealings in relations with the Yugoslavs, of attempts to use, then as now, Stalinist emigres as undercover agents in Yugoslavia make compelling reading. His conclusion is that the Soviets have conceded that there can be differing roads to socialism and the independence of each Communist State and party as a tactical device.



Mr. Veljko Micunovic. Humiliating details.

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CAILLEUX (Paris)

DAS HAUS DER GEMÄLDE (Munich)

GEBR. DOUWES (Amsterdam)

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ROYAL ACADEMY OF ARTS

BURLINGTON HOUSE, PICCADILLY, LONDON

11 am to 7 pm, until 16th December

(All works shown are for sale)

Andreotti in budget talks

By Dominick J. Coyle
ROME, Dec. 12. SIG. GIULIO ANDREOTTI, the Prime Minister, was meeting senior economic ministers to finalise the minority Government's revised 1978 budget in the hope that it would prove acceptable in talks later this week with the main opposition parties and three trade union confederations.

The Prime Minister expects to meet with trade union leaders on Wednesday, and on the following day with the heads of the five opposition parties, including the Communists (PCI).

Police in bullet proof jackets and firing into the air seized 240 demonstrators to-day during a wild rampage by thousands of youths in which Molotov cocktails and tear gas grenades were exchanged. UPI reports from Rome.

Chirac keeps his distance

By DAVID CURRY
PARIS, Dec. 12. DESPITE HIS apparently harmonious meeting with President Giscard d'Estaing last week, M. Jacques Chirac is intensifying his opposition to any attempt to produce a coherent joint election platform under Prime Minister Raymond Barre for all the parties of the conservative coalition.

M. Chirac, emphasising his belief that each coalition party should go to the country on its own platform, is also doing his best to dissociate the Gaullists from total support for M. Barre's economic austerity programme.

Although the Gaullists support the Barre Plan in the National Assembly, they have recently added open sniping at M. Barre's policies to their long-standing opposition to his role as a

Sweden faces 'economic crisis'

By William Duffner
STOCKHOLM, Dec. 12. GOVERNMENT policy is carrying Sweden into an unprecedented economic crisis and must be changed immediately, the unofficial Economic Advisory Council stated to-day in its annual report. It called for the establishment of a crisis commission, whose first job would be to take charge of the 1978 wage negotiations. It said that a social contract be agreed by the trade unions, the employers and the Government.

The Economic Advisory Council comprises four leading independent economists, whose studies are financed by industry. It recommends the Government either to make a "final" devaluation of 15 per cent, and cut value added tax by 2-4 per cent, or to reduce employers' payroll charges by 10 per cent—or to set the elections brought forward from March in order to end the uncertainty which he reckons is bedevilling the country's economic life.

Workers in France's electricity industry to-day called off a one-hour strike planned for Wednesday after the management agreed to consider proposals for a pay deal.

Union leaders told Reuter in Paris. The industry has been hit by a series of stoppages and power cuts following a national strike on December 1 by left-wing union groups in protest against the Government's anti-inflation measures.

In spite of these devaluations the gap between Swedish and other countries' cost levels would remain through 1978.

The Bank of Nova Scotia 1977 ANNUAL STATEMENT

Condensed Statement of Assets and Liabilities as at October 31

	1977	1976
Assets		
Cash, clearings and due from banks	\$ 5,534,887,863	\$ 4,421,579,368
Securities	1,944,841,235	1,537,162,845
Call Loans	553,673,095	360,686,262
Other loans and discounts	13,000,789,283	10,797,843,008
Acceptances and letters of credit, as per contra	1,060,204,129	880,973,021
Bank premises	132,879,144	111,453,096
Controlled companies	111,424,600	52,808,248
Other assets	20,547,899	18,541,313
	\$22,359,247,248	\$18,181,047,161
Liabilities		
Deposits	\$20,219,610,977	\$16,366,084,503
Acceptances and letters of credit	1,060,204,129	880,973,021
Other liabilities	46,776,104	35,372,409
Accumulated appropriations for losses	159,801,439	126,711,849
Debentures	191,730,000	165,850,000
Capital paid up	41,250,000	41,250,000
Rest account	639,000,000	564,000,000
Undivided profits	874,599	805,380
	\$22,359,247,248	\$18,181,047,161

Statement of Revenue, Expenses and Undivided Profits for the financial year ended October 31

	1977	1976
Revenue		
Income from loans	\$ 1,447,312,462	\$ 1,285,320,141
Income from securities	137,061,469	119,988,356
Other operating revenue	118,110,556	102,865,008
Total revenue	\$ 1,702,484,487	\$ 1,508,173,505
Expenses		
Interest on deposits and bank debentures	\$ 1,014,697,096	\$ 905,024,065
Salaries, pension contributions and other staff benefits	256,415,793	223,093,428
Property expenses, including depreciation	73,768,346	61,001,275
Other operating expenses, including provision for losses on loans of \$36,957,973 (1976: \$29,420,987) based on five-year average loss experience	131,359,033	105,601,506
Total expenses	\$ 1,476,240,268	\$ 1,294,720,274
Balance of revenue	226,244,219	213,453,231
Provision for income taxes relating thereto	94,700,000	96,600,000
Balance of revenue after provision for income taxes	131,544,219	116,853,231
Appropriations for losses	54,000,000	48,000,000
Balance of profits for the year	77,544,219	68,853,231
Dividends	35,475,000	33,065,885
Amount carried forward	42,069,219	35,787,346
Undivided profits at beginning of year	805,380	893,034
Transfer from accumulated appropriations for losses	33,000,000	21,000,000
	75,874,599	57,680,380
Transferred to rest account	75,000,000	56,875,000
Undivided profits at end of year	\$ 874,599	\$ 805,380

Executive Offices: 44 King Street West, Toronto, Canada
 1061 offices in Canada, the Bahamas, the Caribbean, Aberdeen, Athens, Atlanta, Bahrain, Beirut, Belfast, Belize, Brussels, Buenos Aires, Cairo, Chicago, Cleveland, Cork, Dublin, Edinburgh, Frankfurt, Glasgow, Guyana, Hong Kong, Houston, Jakarta, Kuala Lumpur, London, Los Angeles, Manchester, Manila, Mexico City, New York, Oslo, Panama, Paris, Piraeus, Rio de Janeiro, Rotterdam, San Francisco, Singapore, Sydney, Thessaloniki, Tokyo.

Subsidiary and Affiliated Banking Companies: Banco Mercantil de Puerto Rico, The Bank of Nova Scotia Jamaica Limited (52 offices), The Bank of Nova Scotia Trinidad & Tobago Limited (16 offices), Bermuda National Bank Limited, Maduro and Curiel's Bank N.V., Netherlands Antilles; Security Bank & Trust Company, the Philippines; United International Bank Limited, London, England; The West India Company of Merchant Bankers Limited, Kingston, Jamaica; The Bank of Nova Scotia Channel Islands Limited, The Bank of Nova Scotia International Limited, the Bahamas; BNS International (Hong Kong) Limited; Schroder, Darling and Company Holdings Limited.

C. E. RITCHIE
Chairman of the Board,
President and Chief Executive Officer

Scotiabank THE BANK OF NOVA SCOTIA

J. A. G. BELL
Executive Vice President
and Chief General Manager

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Electrical Fittings

LEGRAND, whose shares have been quoted on the Paris Stock Exchange since 1970, has had an average growth in sales and profits of 20% for the past twenty years.

In 1977, its consolidated turnover should exceed Frs.1,000 million.

Leading European manufacturer of electrical fittings: switches, plugs, fuses, small circuit-breakers, etc., the LEGRAND Group which now also produces in Brazil and Iran, has outlets on the five continents.

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of Frs.159,120,000
Issuing price: Frs.1,800
Bearing interest: 24th November, 1977
Coupon rate: 8%
Gross redemption yield (in case of non-conversion): 10.5%
Duration: 12 years 38 days
Conversion: ONE share for ONE bond as from April 1, 1978
(Share price on 1/12/77: Frs.1,458)

BALO of 27/11/1977 COB visa no. 77-159 of 16/11/77

Handwritten signature or stamp.

EUROPEAN NEWS

Setbacks for Demirel add to Turkish uncertainty

BY DAVID TONGE
RESULTS of Sunday's local elections in Turkey have increased rather than reduced the political uncertainty of the country.

West split on Belgrade document

BY PAUL LEADWAI
BELGRADE, Dec. 12. SHARP CLASHES between Soviet and U.S. delegates over human rights, difficulties in finding a common NATO position on the concluding document, and search for a compromise over the working programme have emerged as the main features of the 35-nation follow-up conference on European security here.

W. Germany faces new spy scandal

BY JONATHAN CARR
WEST GERMANY is today embroiled in a new spy scandal affecting not only its own interests, but also those of NATO allies.

Brunner urges action on EEC energy programme

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT
BRUSSELS, Dec. 12. THERE IS a "strong tendency" among members of the Organisation of Petroleum Exporting Countries (OPEC) to opt for an increase in their oil prices next week in the view of the EEC Energy Commission, Dr. Guido Brunner.

IFO sees electrical engineering slowdown

BY JONATHAN CARR
THE RATE of production growth in the West German electrical engineering industry next year is likely to be less than half this year's figure.

Sweden 'Red mud' concession won

BY OUR OWN CORRESPONDENT
BRUSSELS, Dec. 12. SWEDEN TO-DAY won a hard-fought concession in its lengthy campaign to convince the EEC that discharges of titanium dioxide, or "red mud," from U.K. industrial plants are not polluting the North Sea and coastal waters.

Scheel promises aid to Portugal

BONN, Dec. 12. GERMAN President Walter Scheel to-night promised aid to Portugal, facing its first big democratic elections.

Red mud' concession won

Under the directive, which is now being adopted, governments will be required to ensure that authorisation for new titanium-dioxide producing plants is granted only if it can be demonstrated that discharges have been reduced to the minimum.



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Advertisement for World Courier, showing a stylized map of Europe with cities like Amsterdam, London, Brussels, and Paris marked. Text includes 'NOW at your fingertips' and contact information for London, Amsterdam, and Paris.

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AMERICAN NEWS

U.S.-JAPAN TRADE TALKS

Tokyo under pressure to give more

BY DAVID BELL

A SENIOR JAPANESE official today began intensive talks with members of the Carter administration in an effort to convince them that the economic package he has brought with him is the most that can be expected from Japan for the time being.

Mr. Nobuhiko Ushiba, a senior adviser to the Japanese ministry and a former ambassador to the United States, had lunch with Mr. Robert Strauss, the President's special trade representative, before going on later to meet the Secretaries of the Treasury and Labour. It is expected that tomorrow he will also meet President Carter.

The administration has yet to examine in detail the Fukuda government package, which has been hastily put together in the face of strong American pressure on Japan. But preliminary study of the proposals has pleased the administration, which has been pressing the Tokyo government both to stimulate its own economy and to relax what the U.S. regards as unfair restrictions on American imports to Japan.

Thus the Americans are likely to make it clear to Mr. Ushiba

that they regard this package— which has so far only been made public in the most general terms— as only an interim step and to ask the Japanese to take further measures along at once. The administration is to make it clear to Mr. Ushiba that protectionist pressure in general—and pressure for sanctions against Japan in particular—is very difficult to control. The most recent example of this came last week at the annual conference of the AFL-CIO which represents U.S. trade unions. It called strongly for fresh controls on certain imports.

But the American approach, in the view of some observers, is not without its own hazards. Although it denies putting pressure on the Japanese or threatening to take action if Tokyo does not respond it is clear that the administration has, by accident or design, created a climate of confrontation. If Japan refuses to make further concessions this will confront the U.S. with a very serious decision—whether or not to take unilateral action against Japanese imports.

Such action might be popular in domestic political terms but it could spark just the kind of

WASHINGTON, Dec. 12. The recent sharp appreciation of the yen has put profits on Japanese exports to the United States to the bone. Some importers, like Toyota or Datsun, are currently believed to be making little or no profit at all on their exports and it is expected that prices will soon rise once again. In theory this should help sales of small U.S. made cars and the exchange rate should benefit the nation's manufactured imports bill. But for the moment it appears that demand for Japanese imports is not especially price sensitive and the rise in the yen may well not make all that much difference to demand.

However, it clearly makes a major difference to Japanese manufacturers, who are now encountering major problems and whose own economy has serious problems. Many of these are shared by those in other industrialized countries. Japanese officials here charge the Americans with not taking sufficient account of this and that they are not doing enough to help the yen from continuing to rise and that this is already giving very serious cause for concern in Tokyo.

OVERSEAS NEWS

Iranian investment to double in new plan

TEHRAN, Dec. 12.

INVESTMENT UNDER Iran's sixth plan will be doubled compared with the \$685.5 million of the current fifth plan, the official newspaper Rastakhiz said.

The new plan covering 10 years in two five-year stages starting March 22 next year, will be reviewed next month by the Shah before presentation to parliament in February, the newspaper said.

The budget and planning organization is now allocating funds for the new plan, which will be heavily dependent on Iran's oil income, currently exceeding \$20 billion a year.

The newspaper said the fifth plan had not fulfilled all its objectives and in some cases only 50 per cent of the goal had been realised.

Syria threatens to refuse to negotiate with Vance

BY OUR FOREIGN STAFF

ARAB deadlock: Lower President Sadat's initiative for a peace settlement with Israel and American support for it hardened yesterday as Syria announced its refusal to negotiate with Cyrus Vance, the U.S. Secretary of State, if he was wearing any message from Jerusalem.

Mr. Vance arrived yesterday in Amman for talks with King Hussein of Jordan. His entourage included a high-ranking Syrian official, the U.S. Secretary of State, if he was wearing any message from Jerusalem.

Mr. Vance said that he wanted to see what we can do to tap the momentum towards a just, lasting and comprehensive peace.

It is doubtful, however, whether King Hussein is prepared to risk entering into the Cairo talks directly—though he only if all the invited Arab States attend, according to reliable official sources here. The only thing at this stage that could restrict the role of Syria is its participation in the next stage of developments.

Jordan has said it will attend only if all the invited Arab States attend, according to reliable official sources here. The only thing at this stage that could restrict the role of Syria is its participation in the next stage of developments.

Israel's Foreign Minister, said Cairo talks would be a clear-

though not necessarily public— commitment from Israel that it is ready to make the concessions on territorial withdrawal from the occupied Arab territories, including a full pull-back from the West Bank, the return of Jerusalem to Arab sovereignty, and a meaningful discussion of the political status of the Palestinians.

Jordan has made it clear in private that it wants to avoid at all costs a split in the Arab world that would postpone the reconvening of the Geneva Conference and isolate Egypt to the point where it may be inclined, or cornered, into signing a separate peace agreement with Israel.

Israel's Foreign Minister, said Cairo talks would be a clear-

people and nature herself. He listed these as the world's economic necessities: the collapse of copper prices, the southern Africa "wars of liberation"; a restricted capacity for economic development and diversification; "as a sad legacy of a negligent colonial rule"; and Zambia's landlocked position.

In terms of specific measures to aid the economy, President Kaunda added little to the guidelines he laid down in his major economic address to Parliament on October 11. On that occasion he called for a new economic policy which shall progressively reduce the country's dependence on copper prices, to be based on increased agricultural production and exports; a series of austerity measures including cuts in government staffing and reductions in copper production costs.

Last month in an interview with the Financial Times, the President declared that unless drastic measures were taken the country would "perish as a nation" in 1974 to no avail.

Eighty per cent of Zambia's problems, said the President, after a meeting with the head of state of the IMF delegation then visiting Lusaka.

Graiver group sentenced to jail

BY ROBERT LINDLEY

AN ARGENTINE military court, which has been deliberating in secret for five months, has sentenced seven members of the so-called Graiver group to terms of imprisonment ranging from four to 15 years for subversion.

The sentences, handed down on Friday night, are the heaviest for subversion during the 21 months of the military regime of President Videla. The longest sentences (15 years) were meted out to the Graiver group members, including the brothers, father and wife, respectively, of Sr. David Graiver, the Argentine financier who created a banking empire in the U.S., Europe and Israel.

It collapsed when he was reported to have been killed in an air crash in Mexico in July 1976. His body was never positively identified as being among those found in the wreckage.

His mother, Sr. Eva de Graiver, was sentenced to four years in jail. She and her husband, Sr. Juan Graiver, are naturalised Argentine citizens

who came from Poland as Jewish immigrants.

Sentenced to five years were Sr. Silvia Cristina Fanjul, identified as the secretary of the Graiver group, Sr. Lidia Catalina Gesualdi was sentenced to 7 years, and Sr. Lidia Haydee Brodsky de Graiver got four years. The husband of the latter, Sr. Enrique Brodsky, was acquitted.

The Graiver group members were found guilty of banking \$17m for the Montoneros, the Left-wing guerrilla organisation, and paying to them \$133,153 in money transfers.

After the collapse of the Graiver empire, the Montoneros pressed the group unsuccessfully for the return of the \$17m, the capital, the product of robberies, kidnappings, ransoms, extortions and contributions from supporters.

The military court sentence ends, "the condemned have turned their backs on the country, which is at war, and continuing David Graiver's decision, knowingly aligned themselves in

Trinidad turns from CARICOM to Latins

By David Renwick

PORT OF SPAIN, Dec. 12. TRINIDAD and Tobago has abandoned attempts to establish joint-venture development projects with its Caribbean Common Market (CARICOM) neighbours and has turned to selected Latin American countries instead, announced Dr. Eric Williams, the Trinidadian Prime Minister at the 19th annual convention of the ruling People's National Movement.

Having admitted that his government had "failed" in its efforts to establish a regionally owned aluminium smelter, shipping line and food corporation, Dr. Williams noted that by contrast, there seemed good prospects of setting up joint-venture industries in such fields as petroleum, paper-making, sugar processing, textiles, food processing and caustic soda production with Brazil and Colombia.

Stressing that Trinidad will now go it alone with a number of key projects, Dr. Williams said, "We have just accepted the obvious fact of life and decided to proceed with our own aluminium smelter and our own food development programme, making it clear that we leave the door open to any other Caribbean country to join later, if they so choose."

The announcement comes against the background of an abrupt decline in trade in manufactured goods among CARICOM countries this year, following severe restrictions imposed by Jamaica and Guyana to protect dwindling foreign reserves, as well as the stalemate in the proposed Caribbean concordium which would have involved Trinidad, the U.S., Britain and other metropolitan countries with Caribbean connections.

Oman, UAE in border dispute

MUSCAT, Dec. 12.

OMAN has asserted its claim to a region when Ras al-Khaimah, one of the seven member-states of the United Arab Emirates (UAE), has found oil, but has no intention of taking military action to regain the area, according to Mr. Youssef al-Alawi, Undersecretary at the Oman Foreign Ministry.

Sultan Qaboos bin Said, he said, had sent a note to President Khalifah bin Zayed of the UAE complaining that the Ras al-Khaimah was drilling for oil offshore in an area which Oman considered as part of its own territory.

An Omani warship had later approached the single Ras al-Khaimah oil rig in the area, to warn that it was violating Omani territorial waters, but Oman hoped the matter would be settled peacefully, he said.

Kaunda optimistic on economy

BY MICHAEL HOLMAN

THE ZAMBIAN PRESIDENT, Dr. Kenneth Kaunda, today called on his country to brace itself for a "hard budget" in January 1978 and "tough preparatory action" which would lead to an economic recovery.

Despite the current depression, Dr. Kaunda spoke optimistically of future prospects: "The worst hour of the dark times of trial has passed," he told the opening session of the national council meeting of the ruling United National Independence Party.

This confident claim is based in part on the President's belief that the price of copper will move "slowly and steadily upwards" from mid-1978. Both major Zambian producers, Roan Consolidated Mines and Nchanga Consolidated Copper Mines are expected to produce more in 1978 than in 1977.

Foreign exchange is critically short and government mineral revenue has fallen from \$242.5m in 1974 to no avail.

South African white unions split on job reservation

JOHANNESBURG, Dec. 12. THE TWO major wings of South Africa's white trade union movement are deeply divided over the key issues of job reservation for white workers and the official registration of black unions, it emerged today.

The all-white Confederation of Labour, with a membership of 200,000 in principal economic sectors, and a substantial influence on policy in the ruling National Party, has refused to join a union consensus to scrap statutory job reservation and promote full union rights for all workers. But the move does have the support of the white-dominated multi-racial Trade Union Council of South Africa (TUCSA), the Confederation of Metal and Building Unions, and a handful of unaffiliated unions.

Thaw in Sino-Indian relations

NEW DELHI, Dec. 12. THE INDIAN Foreign Minister, Mr. Atal Behari Vajpayee, today indicated that the government's willingness to pursue the border dispute with China on the shelf while trying to "normalise" Sino-Indian relations in other areas. He did this when Mr. Vajpayee, severely criticised China's recent behaviour in the border area, and said that the government would not "succumb to provocations" but he made it clear that the government would not seek a settlement from Beijing.

In recent weeks there have been signs which suggest a slow thaw in Sino-Indian relations. Apart from exchanging ambassadors, the two countries have resumed trade and exchanged cultural delegations.

For the first time in years, the New China News Agency has published three items which show Indian foreign policy in a good light and commended Indian trade performance.

Shipping payments report

BY JUREK MARTIN, U.S. EDITOR

MAJOR international shipping companies may have dispensed as much as \$100m in some cases in the past five years, according to a report in the Washington Post this morning.

The article is based on gleanings from four investigations into the shipping business being conducted by the Federal Maritime Commission, the Securities and Exchange Commission and two Federal grand juries sitting in Newark, New Jersey, and Cleveland, Ohio.

These investigations, and particularly the attempts by U.S. authorities to subpoena documents belonging to foreign owned shipping companies, have

been a bone of contention in recent months in relations between the U.S. and some foreign countries, including Britain.

The payments, according to the Post, have taken the form of various sorts of "rebates" offered by the shipping companies to agents and importers. The FMC has already levied some \$5m in fines for such payments over the last 18 months, and is expected to announce more shortly.

Earlier this year, Sea-Land Inc. agreed to pay a \$4m penalty, assessed by the SEC, for having allegedly made more than \$18m in rebates to customers (Sea-Land has not, however, acknowledged that its payments were illegal). In another case the head of Tenna Corp., the Cleveland com-

pany, resigned following disclosures that he had accepted some \$25,000 in payments from a company later revealed to be Seatrail Lines.

These investigations, the Post also reported, have been delayed by Congressional attempts to block possible prosecution of U.S. shipping companies. Senators Inouye and Stevens, and Congressman Murphy, want the U.S. shipping industry to be granted indemnity from prosecution because they argue, foreign carriers cannot be made liable to U.S. jurisdiction and U.S. companies should not therefore be put at a competitive disadvantage. They have made representations to the Justice Department, which is expected to respond within the next few days.

Holden death inquiry

CAIRO, Dec. 12.

A HIGH-POWERED team including four generals has been appointed on the orders of Mr. Marmouh Salem, the Prime Minister, to investigate the murder of Mr. David Holden, London's Sunday Times newspaper.

The body of Mr. Holden was found on Wednesday morning on the fringe of the desert near Nazki, a Cairo suburb close to the airport. He had been shot in the back.

General Ahmed Rushdi, Cairo's security chief, is heading the eight-man team which has orders to report directly to the prime minister. "I shall be in the Egyptian Interior Minister."

Al-Ahram said police were trying to establish whether the murder was politically motivated or was just a case of robbery. The influential Al-Gomhuria newspaper said today there was no sign of a struggle.

Eritreans claim capture

BY OUR FOREIGN STAFF

ERITREAN guerrillas have captured one of the four districts of the Red Sea port city of Massawa, according to a spokesman for the Eritrean Popular Liberation Front (EPLF). The spokesman, quoted in Rome by Reuters, said that the Marxist guerrilla force was pressing home its attack on the Ethiopian forces after winning a crushing victory last week at the town of Dogal on the road from Massawa to Asmara.

The EPLF believes that the fall of Massawa, which it considers imminent, will seriously undermine the Ethiopian forces still holding the provincial capital of Asmara, 55 miles from Massawa. Resistance there could crumble if there is no hope of a relief column from Massawa.

Heavy fighting in Philippines

ZAMBANGA CITY, Dec. 12.

PHILIPPINE marines were launched an assault against Moslem rebels on the southern island of Basilan, after the rebels turned down a Government ultimatum to surrender.

The Southern Command spokesman, Colonel Honesto Bello, said the marines initially met heavy resistance from rebels held up in about 10 hours at Tuburan, 150 miles south of Manila, and heavy fighting was continuing to-day.

MEXICO'S AGRARIAN POLICY

Carts without horses

BY ALAN RIDING, IN MEXICO CITY

WHEN President Jose Lopez Portillo took office a year ago, just 11 days after President Luis Echeverria carried out the most dramatic land expropriation of his administration, thousands of peasants were squatting illegally on private farms throughout Mexico. Sr. Echeverria had revived the decades-old belief that every Mexican peasant has the right to a piece of land, and the impoverished and landless farmhands were awaiting their turn.

The change of Government brought a sharp reversal of agrarian policy. Within weeks the Lopez Portillo administration had evicted the squatters and sternly warned peasant leaders against sponsoring further land invasions. In addition, within months, the new regime had delighted the wealthy private farmers of the state of Sonora by compensating them for land seized by Sr. Echeverria, and by gaoing on corruption charges the agrarian reform minister who had executed the expropriation.

Not only has President Lopez Portillo reversed many of the expensive reformist policies of his controversial predecessor. He is also going against the current of 60 years of "revolutionary" governments which have maintained political calm in the countryside through an economically-suicidal policy of handing out tiny plots of land.

Suddenly, political rhetoric has been replaced by technocratic language and Emiliano Zapata's revolutionary cry of "land and liberty" has given way to talk of efficiency and productivity.

President Lopez Portillo is denying the peasant's right to "justice," but he believes that it can be achieved by increasing food production, not by further redistribution. "The solution is not to divide up the land but to multiply production," he noted recently. "To bring justice to the peasant is not to give him land

nor to divide it up, but rather to create new units of production, to increase efficiency and to generate the most productive use of the land.

The Government's first priority has been to persuade the country's private farmers to resume investing. Although they still provide most food for domestic consumption and export, they were depressed by the agrarian unrest provoked by the Echeverria regime that sent their profits out of the country.

A revolution in agrarian thinking has been achieved in Mexico. The cry of "land and liberty" has been replaced by talk of efficiency and productivity.

rather than ploughing them back into the land. As a result, since 1970, food production has grown by an annual average of just 1.1 per cent, compared to a population growth rate of about 2.5 per cent. President Lopez Portillo has therefore silenced peasant rabble-rousers and reassured private farmers that their land is secure from the threat of expropriation.

But while the production and profits of the private farmers may rise, the problem of 2.5m, small landholders and 4m, landless peasants remains. The small landowners own plots in communal farms known as "ejidos" which were formed after the Revolution. But while the "ejidatarios" were the lucky ones to receive land, they were not provided with the credit, machinery, seeds and fertilizer necessary to make their plots productive.

The peasants in 80 per cent of the 28,000 "ejidos" therefore cannot subsist from their produce and are forced to work out of season in cities or on private farms. In addition, as peasant families multiplied, the tiny plots were further subdivided, becoming even less efficient, or the sons of "ejidatarios" joined

the growing peasant army of those still demanding land.

Economic logic would recommend forgoing the entire "ejido" system in favour of large-scale farming. But not only is this politically impossible in a land of agrarian myths where the names of Emiliano Zapata and Sanchez Villa are written in gold in the countryside, but it would create other more serious problems by expelling millions of destitute and illiterate peasants to already overcrowded urban areas. The government's challenge is therefore to increase food production but also to provide incentives to keep the peasants in the countryside.

To increase the productivity of the "ejidos," the immediate plan is to collectivise the plots on each farm and operate them as a single unit with the support of the state's Rural Development Bank and Government agronomists. The idea is good, but in practice it will be difficult to carry out. Not only are many peasants reluctant to give up their plots and work as members of a co-operative, but many "ejidos" are also on such poor-quality land that no amount of outside help could make them productive. Some "ejidos" are therefore being encouraged to set up parallel cottage industries in the countryside which can absorb surplus labour. But the logical market for processed food products is the U.S. and non-tariff barriers already are a major obstacle to exports of Mexican meat, fruit and winter vegetables. Higher incomes if the countryside were to create a new domestic market, but is anyone willing to invest in agriculture until that market exists?

Two candidates for Whitlam's position

BY KENNETH RANDALL

THE NEW leader of the Australian Labor Party will be chosen at a meeting of Parliamentary members on Thursday next week with at least two declared candidates for the position. Mr. Couzig Whitlam, the present Labor Party leader, announced on Saturday night after it became clear that his party had suffered a crushing defeat at the General Election, that he would not be nominated again as leader.

Mr. Bill Hayden, who is generally expected to be his likely successor, now seems certain to be challenged by a leading New South Wales Labor member, Mr. Lionel Bowen.

Mr. Hayden, a Queenslander and former Treasurer, is the Opposition's chief spokesman on economic policy. Mr. Bowen is a Victorian. There is also growing speculation within the Labor Party that Mr. Bob Hawke, the national president, who is also president of the Australian Council of Trade Unions, will make an early bid to enter the House of Representatives in a by-election.

Mr. Whitlam announced the date of the post-election party meeting today.

Mr. Malcolm Fraser, the Prime Minister, is also aiming to settle his re-shuffled Ministries within the next 10 days. He has not yet, however, announced when the next meeting of the Liberal and National Country Parties will be held.

Mr. Lynch was forced to resign as Treasurer on the eve of the election campaign because of public anger over his dealings with a family trust company. A statement detailing the trust company operation and other

Financial Times Tuesday December 13 1977

ON OTHER PAGES: International Country News; Australia's economy; Farming and raw materials; SEC farm, etc.

WORLD TRADE NEWS

Saudi go-ahead for budget lift to cover telephones project

BY MAX WILKINSON

THE SAUDI Arabian Government has given the go-ahead for the multi-million pound telecommunications project which has been held up because the initial budget was too small.

Bonn predicts decrease in Soviet Union trade

BY DAVID SATTER

MOSCOW, Dec. 12.

THE VALUE of West German trade with the Soviet Union has increased every year on an annual basis since 1971, appears a report from Bonn.

French expect recovery in exports to China

BY DAVID CURRY

PARIS, Dec. 12.

THE CHINESE Foreign Trade Minister, Mr. Li Chiang, has announced on his trip to France which Paris hopes will pave the way for a recovery in France's exports to China.

S. Korea loan backing

FINANCIAL TIMES REPORTER

THE Export Credits Guarantee Department has guaranteed the payment and funding for a \$7m loan which Lloyd's Bank International made available to Hyundai Shipbuilding and Heavy Industries of South Korea.

Simon-Carves deal

Simon-Carves & Simon Engineering Company has obtained a 10m contract through Polibur engineering of Manchester.

Cutlery importers in quota row

BY DAVID FREUD, INDUSTRIAL STAFF

INDEPENDENT U.K. importers of stainless steel cutlery yesterday launched an attack on proposals by the manufacturers for quota restrictions.

Lockheed orders for Canada

By Robert Gibbons

MONTREAL, Dec. 12.

LOCKHEED Aircraft of the U.S. has placed the initial contracts of \$900m. programme of offset purchases agreed when Canada bought the Aurora reconnaissance aircraft.

Columbia Airbus

Aerocor, the Columbian Aerocor, is to become the first Latin American company to operate an Airbus Industrie A300 B4 wide-bodied aircraft.

WEST GERMAN EXPORTS

Currency blunts the competitive edge

BY GUY HAWTIN, IN FRANKFURT

THIS HAS not been a particularly happy year for a number of important sectors of West German industry.

Prof. Herbert Gruenewald, Bayer's chief executive, pointed out a short while ago that by November the D-Mark has appreciated by an average 4.6 per cent against the currencies of its 22 leading trade partners during 1977.

observers over here are forecasting a bleak future. One leading British industrial expert summed it up by saying: "There has to come a time when increases in the value of the DM can no longer be offset by increases in productivity."

The news has, naturally, been greeted with much anxiety. Industrialists have made it clear that much of the problem has been caused by the steep upward rise of the Deutsche mark against the currencies of its main trading partners, particularly the dollar.

Severely

This has bitten severely into German industry's competitive edge as well as profits. Its effect can be assessed from the fact that although in terms of their home currencies the turnover of Bayer's 20 leading overseas subsidiaries rose by 18 per cent, the figures converted into DM presented a picture of virtual stagnation.

German worker in 1976 but in more, the import statistics do not give the real picture of import growth as volumes have risen for more heavily than the DM statistics indicate.

Signs of the times are that West German capital investment overseas has increased substantially in recent years. This, in part at least, is a result of manufacturers taking advantage of lower foreign labour and capital equipment costs, particularly in the United States.

West German companies have certainly been concentrating heavily on rationalising production during most of the current decade. Whereas in 1970 well over 50 per cent of all West German capital investment was channelled into extending production and about 25 per cent went into rationalisation measures aimed at increasing productivity, the figures were reversed by the mid-seventies.

A number of notable foreign observers agree with their British colleagues that the room for further rationalisation and 6.7 per cent to DM199.9bn. But at the same time the country's trade surplus actually increased during the period from 1976's DM24.69bn. to DM26.31bn.

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Instead of throwing money away on wasted energy, why don't you shove your exports into the drink?

Who cares about those carefully-wooded Japanese export orders, those hard-won contracts against tough-bargaining German competitors?

Ditch the lot in the sea. Happily watch your profits float off into the sunset.

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Most small to medium size companies in Britain are wasting between 10% and 15% all the time without even realising it. On heating, lighting and power.

Which means that if your fuel bills are £10,000 per annum, that's £1,500 wasted. If they're as high as £1 million, that waste could be £150,000.

So, how can you stop it? First, call our Energy Quick Advice Service. It's a Freefone service to answer immediate questions on non-domestic energy problems. It applies to England, Scotland and Wales only and there

are three different numbers. Dial 100 and ask for Freefone 3140 for buildings queries. For production and transport it's Freefone 6222 in England and Wales, and Freefone 8305 in Scotland.

Second, use the coupon to send off for our wide range of energy saving technical booklets. They're free and cover many aspects of industrial energy loss. But most important, use the coupon to arrange for an Energy Survey. We'll send you a list of independent consultants. The one you choose will spend one day on your premises evaluating your specific areas of energy wastage. It'll cost you a modest fee, up to £60 or it won't be paid by us.

All kinds of things could come to light in his report. It may be a question of fitting a thermostat on the calorifier (in one recent report it was discovered that hand basins were being supplied with water at 77°C.) There again, it may be a matter of using waste

air from the air compressors to warm work areas.

And with the money saved, you could afford to take on a couple more salesmen to open up new export markets.

Form for requesting energy saving booklets and an energy survey. Includes fields for Name, Company, Address, and Postcode. A 'SAVE 11' logo is also present.

HOME NEWS

CBI to have talks with Varley about industrial strategy

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

TALKS AIMED at reaching a compromise between the Government and the CBI on industrial planning and participation policies...

The Government wants to persuade the CBI to accept that companies should start planning discussions with their employees and with civil servants...

The CBI has opposed this up to now because of a fear that the Government is using it as a tactic to introduce full-scale planning agreements.

Now, however, the CBI might decide to tell the Government that it could be much easier to persuade companies to experiment in this area if they were told first that the Government had totally abandoned the Bullock Report on worker directors.

At present the Government is intending to publish a White Paper by the early spring. It is expected to embrace the Bullock concepts and the alternative industrial democracy approach favoured by some unions of employees being given statutory rights to consultations and disclosure of information on company plans.

At the same time, however, the Government is under pressure from its Left-wing because of its failure to produce widespread planning agreements in industry.

It is because of this that Mr. Eric Varley's Department of Industry decided a few weeks ago to try to coax the CBI into planning discussions as the next stage in development of the industrial strategy.

Yesterday, Mr. Varley said in London when discussing general industrial issues: "We need more co-operation from the CBI within the framework of the industrial strategy."

The strategy's issues needed to be discussed formally within companies, and the CBI "ought to take an initiative on this."

The Industry Department's Permanent Secretary, Sir Peter Carey, has been heading a joint committee of civil servants and CBI representatives in recent weeks to find some compromise.

The aim has been to enable the CBI to accept joint discussions within companies as a formal part of the industrial strategy without scaring them off because of the overtones of planning agreements.

Now the CBI has to decide what line to take at next week's meeting with Mr. Varley because it has as yet no firm policy apart from total opposition to planning agreements.

The CBI's line is somewhat weakened because at least 100 companies, including the country's largest concerns, are already holding planning discussions of their own volition with civil servants, accompanied usually with some method of employee consultation.

Laker seeks Skytrain route to Los Angeles

LAKER AIRWAYS has applied for a Skytrain route from London to Los Angeles, bringing it into direct conflict with British Caledonian.

The application, which the Civil Aviation Authority publishes to-day, is for daily return flights to Los Angeles at a round-trip price of about £250.

British Caledonian said it would oppose Laker because it held a licence for the route.

Mr. Freddie Laker, chairman of the airline, said he was confident that his application would be approved. "The political climate in the U.K. and the U.S. has moved dramatically in favour of the consumer. All the authorities now believe in the economic benefits of competition."

He hoped that the permit would be granted in six months rather than the six years it took



FREDDIE LAKE: 'Political climate is right.'

to start the London-New York Skytrain.

Mr. Laker dismissed British Caledonian's claim to the Los Angeles route, pointing out that only British Airways had been designated under the renegotiated Bermuda Agreement for it. Orders have been placed for two McDonnell Douglas DC-10 wide-bodied jets and two Boeing

Finnish buyer likely for Scottish Timber

BY RAY PERMAN, SCOTTISH CORRESPONDENT

SCOTTISH Timber Products, the U.K.'s largest independent chipboard maker until it collapsed three months ago, is likely to be taken over as a joint venture between Peles of Finland and the Scottish Development Agency.

The Finnish company, which also makes chipboard, has emerged as the front-runner of three potential buyers. The others, Kronspan of West Germany and Bisonwerke of West Germany, have virtually dropped out.

The deal is expected to be signed next week. The agency's involvement could be as much as 49 per cent.

The new company will enter the U.K. market when demand is depressed and other manufacturers have asked the Department of Trade to consider import restrictions.

Initially it might employ only about a third of the original workforce of 500. Peles has indicated that the figure could rise to 250 if production increased.

When it failed, Scottish Timber had a turnover of £9m. Strivingbire, and accounted for nearly a third of British production. The fall in sales this year combined with increased repayments on a loan raised in D-Marks forced the company into liquidation.

Drink still the principal industry in Scotland

BY CHRISTINE MOIR

THE IMPACT of North Sea oil has not displaced drink as Scotland's most important industry, according to a survey published yesterday.

Only one oil company, Burmah Oil, features in the top 10 Scottish-registered companies ranked by sales, but there are two whisky distillers—Distillers Company and Arthur Bell—and one brewery, Scottish and Newcastle.

The third largest company, after Distillers and Burmah, is Coats Patons, the thread makers, followed by the contractors Redpath Norman Long, United Builders, House of Fraser, Scottish and Newcastle, John Menzies, the booksellers, Weir Group, engineers, and Arthur Bell.

On profitability, seen as the ratio of pre-interest profits to

Inquiry to study costs of taxi services

By Elinor Goodman, Consumer Affairs Correspondent

TAXI FARES are to be investigated by the Price Commission. Mr. Roy Hattersley, Prices Secretary, confirmed yesterday.

The examination will cover the fares, costs and margins of taxis all over the country and will include mini-cabs as well as licensed taxis.

The inquiry, which should be completed by the end of June, will not prevent London taxi fares going up by 10 per cent next week, though the commission could, when it has finished its investigations, recommend restrictions in prices in future.

It could also comment on the way in which taxis are licensed by the Home Office and so entitled to ply for hire in a way which mini-cabs are not.

Price increase

Mr. Hattersley said that he hoped the inquiry would show the varying costs of different kinds of taxi services. The Licensed Taxi Drivers' Association, which has often been at odds with the mini-cab operators, seems to be hoping that it will demonstrate the need for a further price increase.

The association had hoped that the Home Office would allow its members to raise their fares by 25 per cent this month, but the increase was cut to 10 per cent.

The Price Commission said yesterday that it was allowing Cadbury Schweppes Foods to raise its prices by the full 7.2 per cent the company wanted, while the increase was investigated.

The rise was allowed under the profit margin safeguards written into the price legislation. Within the 7.2 per cent average, there will be much steeper increases on chocolate-based products.

Norwegian company sues Phillips for late delivery

FINANCIAL TIMES REPORTER

PHILLIPS PETROLEUM is to be sued for between Kr.350m. and Kr.400m. (£35m-£40m.) by the Norwegian company Norvegi for its failure to deliver on time the natural gas liquid feedstock from its Teesside plant to Norway's Phillips Petroleum ESBM, a new ethylene cracker at Rafnes.

Phillips had previously rejected proposals from Norvegi for an out-of-court settlement. These included suggestions that Norvegi should make alternative arrangements in the North Sea.

The labour problem among sub-contractors employed by Sim-Chem, the Teesside-based primary contractor in Phillips Norway Group, was only if there were a "new move" by Phillips in the very near future.

Phillips said there was "nothing like this in the wind at the moment." It confirmed that a lawsuit would be averted on which the Rafnes chemical complex was designed.

Deliveries of the natural gas liquids, ethane and propane, started in the end of last year. Now Phillips will not start shipping the products to Norway until the end of next summer or autumn.

Accountants fight council fraud

BY DAVID CHURCHILL

LONDON'S Westminster City Council has become the first local authority to use chartered accountants in an effort to stamp out fraud in its commercial operations.

A joint team of two City accountancy companies, the district auditor, and the council's own internal audit staff has just completed a pilot project among the council's 21 car parks, which produce £2m. a year in revenue.

Already, the investigation team has uncovered at least two cases of fraud by staff. Earlier this month, one employee was found guilty of misappropriating car parking fees and another of fraud by staff.

The council decided to commission Deloitte and Company, and Binder Hamlyn because of their wider experience of commercial auditing was needed to fight fraud.

A preliminary study of the council's accounts, the district auditor, and the council's own internal audit staff has just completed a pilot project among the council's 21 car parks, which produce £2m. a year in revenue.

Tax should go up on higher-tar cigarettes, says Ennals

BY STUART ALEXANDER

A BRITISH proposal for additional taxation on higher tar cigarettes will be made to a meeting of the EEC Health Ministers in Brussels to-day by Mr. David Ennals, Secretary of State for Health.

The proposal precedes publication on Thursday of a White Paper on prevention and health, which is also likely to recommend increased taxation on higher tar cigarettes and alcohol as a method of dissuading consumers.

The Brussels meeting, the first of its kind, will hear papers from Britain and France and will cover the economic aspects of health, health education, and mutual assistance in the event of catastrophe or epidemic.

However, Mr. Ennals is not likely to be given an EEC green light to introduce differential taxation in the U.K., nor will he be given Community support for the measure to be introduced by the other members of the Nine.

Instead, the matter is likely to be one of many to be referred back to the Commission for further study and consideration. In the event of any EEC recommendations, to be passed in EEC Finance Ministers' for consideration.

Mr. Ennals has long argued that high tar cigarettes should be subject to a special surcharge on excise duty. Advertising of high tar brands has already been voluntarily ended and sales of the cigarettes will be phased out by the end of March, 1979.

Fish company near ruin, Appeal Court told

A WEST COUNTRY fish-processing company faces ruin after the loss of its High Court action last month against a council ban on a proposed new £2m. factory, the Appeal Court in London was told yesterday.

Western Fish Products, of Newlyn, Cornwall, successfully applied for expedition of an appeal against Mr. Justice Walton's dismissal of the company's plea to go ahead with the scheme and its claim for £9m. damages against the District Council.

Mr. Justice Sparrow, Q.C., for the council, said: "The appeal is a matter of life or death. Plant and machinery bought at enormous cost are rotting away in buildings which are not weather-proof. The continuing loss runs into millions of pounds."

The venture had been supported by a group of companies. There had been a chain reaction throughout the group and the financial consequences were serious.

We have missed our mackerel seasons but there is another season ahead, says Mr. Sparrow. "If our appeal succeeds, we might take advantage of the planning application which has been refused and a stop issued after buildings were completed with the council's ledge and support of the council."

Water industry scheme ignoring democracy

BY DAVID CHURCHILL

GOVERNMENT PROPOSALS for restructuring management in the water industry were attacked as undemocratic yesterday by the Association of Metropolitan Authorities.

The association, commenting on the Government's recent White Paper on the water industry, said that the proposals were "moving the industry further away from democratic control and public accountability."

Ministers had declared their support for "relaxing central control in such industries as water, when given the opportunity to do so had increased

Steel users demand Government action

BY ROY HODSON

QUICK GOVERNMENT action on the steel crisis British Steel is losing £10m. a week—is demanded to-day by the British Iron and Steel Consumers' Council.

Sir Richard Marsh, chairman, points out that British steel-using industries account for nearly 20 times as much employment and exports as British Steel itself.

Mr. Gerald Kaufman, a junior minister at the Department of Industry, is heading an inquiry appointed by the Prime Minister to report on the country's long-term iron and steelmaking needs by next month.

Target The Kaufman report will take into account recommendations from Whitehall and the steel industry that the nationalised industry should lower its sights for export business there is likely to be a surplus of steel in the Western world for years to come.

British Steel has been working towards a theoretical target of installing enough new steelmaking capacity to export 6m. tonnes a year. Some experts think a more realistic export target to be nearer 2m. tonnes a year. That would include more than 500,000 tonnes to the U.S.

Sir Richard says that any action to deal with British Steel's problems which would set its customers at a competitive disadvantage in world markets would be highly damaging to the British economy.

Such moves would reduce the ability of British steel-using industries to create the wealth on which rising living standards depend.

The best way out of the steel crisis, in the view of the steel consumers' Council, would be: 1—to pursue a realistic investment programme for British Steel to enable it to be thoroughly competitive internationally.

2—to regard the costs of closing old steel plants in areas where unemployment is already high as a social cost which must be borne by the Government rather than the industry.

3—to hive off British Steel's non-steelmaking activities to allow the corporation's management to concentrate upon the central business of steelmaking.

4—to write off accumulated British Steel losses which have been caused by direct Government intervention.

Autopistas de Cataluña y Aragón, Concesionaria Española, S.A.

D.M. 19,000,000

Fixed rate loan due 1984

guaranteed by Caja de Pensiones para la Vejez y de Ahorros de Cataluña y Baleares

This financing was arranged by Richard Daus & Co.

Bankiers vormals Hans W. Petersen

and provided among others by Bankhaus Hermann Lampe Kommanditgesellschaft

The undersigned acted as financial advisor to the borrower in connection with the above transaction.

Smith Barney, Harris Upham & Co. Incorporated

This announcement appears as a matter of record only.



Autopista de Enlace, Concesionaria Española, S.A.

D.M. 32,000,000

Fixed rate loan due 1984

guaranteed by Unión Industrial Bancaria, S.A. Bankuni6n

This financing was arranged by Richard Daus & Co.

Bankiers vormals Hans W. Petersen

and provided among others by

Allgemeine Deutsche Credit-Anstalt

Banc Internacional

Bank für Gutzwiller, Kurz, Bungenzer S.A.

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Landesgirokasse

Württembergische Kommunale Landesbank Girozentrale

The undersigned acted as financial advisor to the borrower in connection with the above transaction.

Smith Barney, Harris Upham & Co. Incorporated

Handwritten signature

Sea oil provides half our needs — survey

BY ROY HODSON

NORTH SEA OIL accounted for nearly 50 per cent of Britain's requirements during the third quarter of the year...

The North Sea supply for July, August and September contributed 9,589m. tonnes towards the total needs for the period of 21,754m. tonnes.

North Sea oil accounted for nearly 40 per cent of total crude oil supply during the first nine months of this year...

Coal figures

The bulletin says the promising North Sea oil production figures are offset by falling coal production. Deep-mined coal output in the three months from August to October was 2 per cent lower than in the same period a year ago.

The tonnages were 23,857m. tonnes this year and 23,834m. tonnes in the same period last year. But open-cast mining production improved by nearly 20 per cent to 3,609m. tonnes for the three months this year compared with 3,022m. tonnes for the same period last year.

Electricity demand in the first nine months of 1977 was 5.1 per cent higher than in the same period last year. Advanced gas-cooled reactors influenced the pattern of electricity generation.

Teachers back truancy plan

THE GENERAL Teaching Council for Scotland yesterday approved a proposal for special day units to be set up to deal with problem pupils and persistent truants.

Under the proposal, made by a committee of inquiry, truants would be picked up from home each day and taken to the unit for education, assessment and treatment, with the aim of returning them eventually to their normal schools.



British Airways seeks talks with Malaysians

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

MR. GORDON DAVIDSON, British Airways Concorde director, flew to Kuala Lumpur yesterday for talks with the British High Commission there in hope of unravelling the problems which threaten the continuity of Concorde flights between London and Singapore.

Both airlines hope this can be done, but Malaysia clearly has the whiphand and can afford to sit back and force concessions if it chooses.

The airlines admit that a break in the continuity of Concorde flights would be a substantial loss of face in a part of the world where these matters are of considerable importance.

Malaysian objections were first voiced last week. British Airways then obtained permission for three round trips between London and Singapore through Indonesian air space. The last of these will leave London to-morrow and Singapore on Thursday.

Both British Airways and Singapore Airlines are mystified by Malaysia's objection to Concorde flights through its air space last January.

Under the view prevailing in Singapore it is the objections made by less concerned aviation and more with the complexities of Malaysian political relationships with Singapore.

Undoubtedly, the Singapore Government is deeply embarrassed by the affair. Singapore



MR. ROBIN LEIGH-PENBERTON (above), chairman of the National Westminster Bank, officially opened the bank's foreign exchange dealing room in the City yesterday by sending a symbolic message to the private teleprinter to Bahrain.

The new trading room, known as the bank's world money centre, brings together the previous international money desk—the foreign exchange department of NatWest—and the Eurocurrency dealing room of the wholly owned subsidiary, International Westminster Bank.

The possibility of such a break in services cannot be ruled out, however. If it occurred it could last some weeks, depending on what conditions Malaysia sought to impose.

The alternative of seeking permission for more flight through Indonesian air space does not seem viable. Captain Tony Meadows, the pilot on last Friday's inaugural flight, went to Jakarta at the weekend to explain the situation but was apparently told that Indonesia would permit no more trips.

The British Embassy in Jakarta is believed to be still negotiating, although Indonesian rapport with Malaysia appears to indicate that chances of more flights are slim.

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Racial chief took 'fine comb' to arms deals

FINANCIAL TIMES REPORTER

DETAILS of overseas arms contracts were checked "with a Daniel Frenn as chairman, and fine toothcomb" by Mr. Ernest Harrison, head of the Racial Electronics Group, before the pricing arrangements were agreed, an Old Bailey jury was told yesterday.

Mr. Geoffrey Wellburn, aged 41, a former Racial executive, of fast decision-making meetings Woodside Road, Beaconsfield, who is accused of bribing an Army officer in order to get a 40m. foreign contract for the company, said that Mr. Harrison had an autocratic influence on him.

Mr. Wellburn, together with Mr. Frank Nurdin, aged 61, of Barnet, another former Racial executive, denying nearly £25,000 to Lt. Col. David Randal, aged 41, of Aldershot, for showing favour to Racial BCC of Wembley in 1971-72 over a contract to supply radio equipment to tanks for the Iranian forces.

Mr. Wellburn alleged that in the case of the Iranian contract to quit the Racial BCC group in 1974 after a police inquiry began into Col. Randal's affairs, said he was now on the Board of a rival electronics group.

He joined the original, family-run BCC company as deputy managing director under Mr. Harrison, through the Racial Group, took over in 1969 after intensive competition, the effect was traumatic.

Mr. Harrison tended to have very fast decision-making meetings where there were a lot of swear words," Mr. Wellburn said.

"If I argued, Mr. Harrison said: 'That's how it's going to be, boy', and he would brook no argument at all."

"He was totally autocratic, but he took a close interest in the whole pricing procedure, including commission arrangements. The trial is in its sixth week.

Mr. Wellburn's defence is expected to last until the middle of this week.

Mr. Harrison went through the whole pricing procedure, including commission arrangements. The trial is in its sixth week.

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CITY OF LEICESTER Morgan Grenfell & Co. Limited Offer for Sale

£12,000,000 City of Leicester Floating Rate Stock 1982 at £100 per cent. payable in full on application

Interest (two interest payments) will be payable half-yearly on 15th June and 15th December. Interest amounting to £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978 will be paid on 15th June, 1978.

The application list will open at 10 a.m. on 14th December, 1977 and will be closed on 15th December, 1977 at the same time.

1978 offer issue 1982 floating rate stock will be an interest-free floating rate stock in the event of a takeover of the City of Leicester.

THE STOCK.—The Stock will be redeemed in full, together with accrued interest, on 15th December, 1982. The Council reserves the right to purchase the Stock in the open market or otherwise at any price. Stock so purchased will be forthwith cancelled for the amount paid.

INTEREST.—(a) Interest (two interest payments) on the Stock will be payable by half-yearly instalments in arrears on 15th June and 15th December ("Interest Payment Dates"). In each case at the rate per annum calculated as provided in the prospectus.

(b) The first interest payment will be made on 15th June, 1978 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(c) The second interest payment will be made on 15th December, 1977 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(d) The third interest payment will be made on 15th June, 1978 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(e) The fourth interest payment will be made on 15th December, 1978 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(f) The fifth interest payment will be made on 15th June, 1979 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(g) The sixth interest payment will be made on 15th December, 1979 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(h) The seventh interest payment will be made on 15th June, 1980 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(i) The eighth interest payment will be made on 15th December, 1980 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(j) The ninth interest payment will be made on 15th June, 1981 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(k) The tenth interest payment will be made on 15th December, 1981 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(l) The eleventh interest payment will be made on 15th June, 1982 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(m) The twelfth interest payment will be made on 15th December, 1982 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(n) The thirteenth interest payment will be made on 15th June, 1983 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(o) The fourteenth interest payment will be made on 15th December, 1983 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(p) The fifteenth interest payment will be made on 15th June, 1984 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(q) The sixteenth interest payment will be made on 15th December, 1984 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(r) The seventeenth interest payment will be made on 15th June, 1985 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(s) The eighteenth interest payment will be made on 15th December, 1985 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(t) The nineteenth interest payment will be made on 15th June, 1986 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(u) The twentieth interest payment will be made on 15th December, 1986 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(v) The twenty-first interest payment will be made on 15th June, 1987 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(w) The twenty-second interest payment will be made on 15th December, 1987 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(x) The twenty-third interest payment will be made on 15th June, 1988 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(y) The twenty-fourth interest payment will be made on 15th December, 1988 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(z) The twenty-fifth interest payment will be made on 15th June, 1989 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(aa) The twenty-sixth interest payment will be made on 15th December, 1989 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ab) The twenty-seventh interest payment will be made on 15th June, 1990 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ac) The twenty-eighth interest payment will be made on 15th December, 1990 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ad) The twenty-ninth interest payment will be made on 15th June, 1991 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ae) The thirtieth interest payment will be made on 15th December, 1991 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(af) The thirty-first interest payment will be made on 15th June, 1992 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ag) The thirty-second interest payment will be made on 15th December, 1992 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ah) The thirty-third interest payment will be made on 15th June, 1993 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ai) The thirty-fourth interest payment will be made on 15th December, 1993 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(aj) The thirty-fifth interest payment will be made on 15th June, 1994 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(ak) The thirty-sixth interest payment will be made on 15th December, 1994 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(al) The thirty-seventh interest payment will be made on 15th June, 1995 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(am) The thirty-eighth interest payment will be made on 15th December, 1995 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

(an) The thirty-ninth interest payment will be made on 15th June, 1996 and will be £485,777 (less income tax) per £100 Stock in respect of the period from 15th December, 1977 to 15th June, 1978.

NOTICE OF REDEMPTION To the Holders of Phillips Petroleum International Investment Company

6% Guaranteed Sinking Fund Debentures Due 1981 Due January 15, 1981.

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of January 15, 1980 under which the above-described Debentures were issued, the Trust Company of New York, as Trustee, has selected for redemption on January 15, 1981, through operation of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, \$926,000 principal amount of the above described Debentures. The serial numbers of said Debentures so selected are as follows:

Table with columns for Debenture Serial Numbers and their corresponding values. Includes numbers like 1000, 1001, 1002, etc.

On January 15, 1978, the Debentures designated above will become due and payable in full in coin or currency of the United States of America as at the time of payment is legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof of all coupons pertaining thereto maturing after the redemption date, at the option of the holder with (a) at the corporate office of the Trust Company of New York, 15 Broad Street, New York, New York 10005, or (b), subject to any laws or regulations applicable thereto in the country of any such office, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London or Paris, or Banca Commerciale Italiana in Milan or Bank Mees & Hope N.V. in Amsterdam or Banque Internationale à Luxembourg S.A. in Luxembourg. Coupons due January 15, 1978 should be detached and collected in the usual manner. Payments at the offices referred to in (b) above will be made by check drawn on a bank in The City of New York or by transfer to a dollar account maintained by the payee with a bank in such City.

On and after January 15, 1978 interest shall cease to accrue on the Debentures herein designated for redemption.

Phillips Petroleum International Investment Company

NOTICE The following Debentures previously called for redemption have not as yet been presented for payment:

Table with columns for Debenture Serial Numbers and their corresponding values. Includes numbers like 2000, 2001, 2002, etc.

Engineers seek statutory register

By Kenneth Gooding, Industrial Correspondent

THE INSTITUTION of Mechanical Engineers has told Sir Monty Finniston's committee of inquiry into the engineering profession that there should be a statutory register of engineers, but that compulsory registration should be supervised by the engineering profession itself.

The register should provide more than just a list of people with acceptable qualifications. It should also "embrace the maintenance and enforcement of a professional ethic."

The institution says many engineers believe that a register would have no particular significance. "But we took the view that it is better to pursue a positive development which may help to give the professional a stronger identity than to take no action," said Mr. Alex McKay, secretary, in a report to members.

The institution has recommended that the existing Engineers' Registration Board, operating under the aegis of the Council of Engineering Institutions, be given a statutory authority to establish and supervise the register and the related code of conduct.

"Vital" "It is vital for the engineering profession to be self-regulating, and save matters affecting the public interest to be decided outside interference," the committee was told.

The institution also said it has been unable to detect any major shortage of professional engineers or any substantial unemployment problem.

Another point which the institution stressed was that many personnel managers are unable either to define an engineering vacancy or to specify and recognise the type of engineer to match it.

Ayr to have new coal terminal By John Lloyd A HIGH-CAPACITY coal-shipping terminal is to be built at the port of Ayr. The British Transport Docks Board will bear most of the £200,000 cost, and the Scottish Development Department the rest.

The port handles about 500,000 tonnes of coal a year from the Ayr field. Most of it is shipped to Belfast for use in power stations.

Tonnages of coal through the port have declined from 800,000 tonnes in 1971. Mr. Keith Stuart, managing director of the Docks Board, said yesterday.

French press ordered by Imperial Metal

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

IMPERIAL METAL Industries gave details last night of requirements of U.K. customers which could be met even at times of peak demand.

The press has been ordered from Secim, a Paris-based division of Creusot-Loire, one of the largest engineering groups in France. Secim has expertise in non-ferrous extruded products, supplies rods, sections and wire to the engineering industry.

Mr. Ken Jones, managing director of the rod and wire division, said that a new 2,500-tonne division was taking over "the first of its kind in the U.K. brass rod industry"—was to be installed at the Witton plant, Birmingham. Work would begin next year and the plant should be completed in 1979, ready for the expected upturn in demand.

The method would be appropriate to the expected pattern of demand and would provide uniformly high-quality rod.

Court blocks Rhodesia sanctions loophole

A POSSIBLE loophole in the sanctions laws against the Smith regime in Rhodesia was closed by the Appeal Court in London yesterday.

Lord Widgery, the Lord Chief Justice, Lord Justice Cummings-Bruce and Mr. Justice Park ruled that soliciting or encouraging an individual to live or work in Southern Rhodesia is an offence under Article 14 of the Southern Rhodesia, United Nations Sanctions, No. 2 Order of 1965.

Mr. Sam Silk, QC, Attorney-General, had asked the court to decide a legal issue raised by the accusation of a man on 10 counts, each alleging that he solicited or encouraged an individual to live or work in Southern Rhodesia.

The trial judge had ruled that it was an offence only if the soliciting or encouragement was directed at more than one member of the public, that is, a group of individuals.

Lord Widgery said that in prosecution case was that the man advertised in various newspapers: "Wanted, men or women, £150 per week. Fit for overseas."

The advertisements gave an address and arrangement: were made for each applicant to go to a hotel, where he or she was interviewed. Applicants later received travel documents from Rhodesia.

Mr. Silk said that the trial judge had taken the view that "members of the public generally" did not include a named member of the general public. But Lord Widgery said that, as a matter of legal construction, "the public generally" was the same as "the general public" and there was no reason why "the general public" should not include an individual.

£10m. gas plant to be built

BY LYNTON McLAINE, INDUSTRIAL STAFF

AIR PRODUCTS is to spend £10m. on an industrial gas plant on Air Products' new gas plant at Cumbernauld, Glasgow, which was opened last autumn with a capacity of 270 tonnes a day, but is unable to produce argon or pure pipeline supplies of nitrogen.

Demand for oxygen and nitrogen in Britain's 2500m. a year industrial gas market is increasing at an annual rate of at least 10 per cent, with the food, metal heat treatment, and rubber and plastics markets notably buoyant.

In spite of the present high demand for steel, both big gas companies see the steel industry as another growth area.

The planned capital cost at £10m. is about double that spent on Air Products' first gas plant at Cumbernauld, Glasgow, which was opened last autumn with a capacity of 270 tonnes a day, but is unable to produce argon or pure pipeline supplies of nitrogen.

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COMPANY NOTICES

JAPANESE GOVERNMENT STERLING LOANS
The Bank of Tokyo, Limited, are instructed to announce that Coupon No. 28 of the 1977 Government of Japan Sterling Loan will be paid on and after 31st January, 1978. The payments of the Bank of Tokyo, Limited, will be made on the basis of the terms provided between the hours of 10.0 a.m. and 2.0 p.m. on the day of payment. The coupon must be held on the day of payment prior to payment.
The coupon must be held on the day of payment prior to payment.
Coupons cannot be accepted through the post.
For the BANK OF TOKYO, LIMITED,
Director and General Manager,
13th December, 1977.

ANNOUNCEMENTS
National Commercial Bank Limited (Incorporated in England)
We are pleased to announce that we avoid our being mistaken for other banks with names similar to ours. Our London branch will with effect be known as:
ZAMBIA NATIONAL COMMERCIAL BANK LIMITED
Our London address will be:
Zimco, House, 129/131 Finsbury Pavement, London EC2A 1NA.

CINEMAS
GOSNOLD LESTER SQUARE (530 6111) NEW YORK, NEW YORK (LA. SEP. PROG. Week 7.25, 4.50, 8.00.
1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 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PARLIAMENT and POLITICS

POLISH SHIPS ROW

Cost to taxpayer £28m., says Varley

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE POLISH shipbuilding deal for British yards will cost the taxpayer £28m. in subsidies from the intervention fund set up to help the shipbuilding industry, Mr. Eric Varley, Industry Secretary, told the Commons last night as he came under bitter attack from the Tories.

Accusing the Opposition of trying to wreck the shipbuilding industry, he declared: "There have been allegations that much larger amounts of public funds will be spent to subsidise this order. This is simply not true."

The Tories, who have been pressing for more details on the deal for several weeks, moved a motion to reduce Mr. Varley's salary by half. In effect, this was a personal censure motion over the way he has handled the transaction.

Mr. John Nott, Conservative spokesman, opening the attack, thought that the total amount of subsidy could be as high as £35m, when all the factors were taken into account. "Once the Prime Minister had committed us to this order, the Poles have taken us ever since for one long ride," said Mr. Nott. "The intervention fund had been used frugally and the sum spent from it so far covered orders for a total of 48 ships. There now remained £10m. in the fund out of the original £65m."

Mr. Nott had complained that British companies producing engines, propellers and other shipping equipment had been left out in the cold and could not get work as part of the Polish order. But Mr. Varley claimed that 88 per cent of the work was going to be placed in Britain.

The ships would be sold by British Shipbuilders to the company to be established in Poland. This would be jointly owned by British Shipbuilders and PZM, the Polish State shipping line.

It had been made clear some time ago, he said, that the necessary financial arrangements would be met by the British side of the partnership. The joint venture company would charter ships to PZM for 13 to 15 years.

The Industry Secretary told the House that one British shipowner had been offered the same percentage subsidy as the one offered to the Poles. But the British company had rejected the offer and had placed its order abroad instead.

The EEC Commission was wholly satisfied that the arrangements for the deal met all the rules. Officers of his Department

were also satisfied. In due course, the Commons Public Accounts Committee and the Auditor General would have full access to all the papers.

Mr. Varley stressed that the House should not press him for details of any similar deals made in the future. He maintained that to do so would damage the interests of the industry and the taxpayer.

Opening the debate, Mr. Nott said that the British Government had been at the forefront of efforts to restrain and lambast the Japanese for their protectionist policies and a week or two ago Mr. Callaghan had protested to the French about the extension of credit to Russia.

"Here we have, in my view, hypocrisy on a grand scale. It is this same Government which, in this deal, is extending the frontiers of shipbuilding credit and protection beyond every method so far used by any other country."

Mr. Nott said subsidies were merely prolonging the slump in world freight rates. Until world freight rates recovered and the supply of ships from world yards was brought into line with demand, job prospects would grow worse and worse.

"Prospects for the workers in the yards are going to deteriorate at an accelerating pace if this goes on."

"Maybe the Prime Minister and his colleagues have bought one extra year of employment for Govan and possibly Swan Hunter, but they have done so at the expense of an even worse future for shipyard workers generally."

"The Government is going to do substantial damage to the morale of the marine engineering industry and the shipping industry in the process."

Mr. Nott said that if Britain was going to fill its yards with large uneconomic orders, at least they should use British parts and engines. Most of the parts would be made in Poland.

Mr. Michael Grylls (C, Surrey NW) likened the deal to "selling tanks to Rome."

It was supreme folly to subsidise the merchant fleet of the Communist world to compete against our own.

Mr. Margaret Bala (SNP, Dunbartonshire E) said she would be asking her party to vote for the Government. The Tories had not provided any alternative strategy over unemployment in the shipyards.

Assurance on BA replacement aircraft

By Ivor Owen

IN CONSIDERING proposals for equipping British Airways with new aircraft, the Government will take account of "wider interests" as well as the commercial judgment of the airline itself, Mr. Stanley Clinton Davis, Under Secretary for Trade, told the Commons yesterday.

He disclosed that there is to be an early meeting between Sir Frank McEvedy, British Airways chairman, Mr. Edmund Dell, Trade Secretary, and himself, to discuss the airline's replacement position.

Freedom

Mr. Davis made it clear that at present the evaluation of the relative merits of the various possible replacement aircraft was a matter for British Airways.

He was asked by Mr. Michael McNair-Wilson (C, Newbury) if British Airways would be allowed the freedom to use its own commercial judgment without interference in ordering any new aircraft.

Mr. Davis stressed: "While it is perfectly true that British Airways is entitled to use its commercial judgment in arriving at a fair evaluation of competing quotations, the matter does have to come to the Secretary of State who must, of course, be able to look at wider interests, too."

"But the commercial judgment of British Airways is obviously a very important criterion."

Workers

There was more criticism from the Labour benches about the recent speech by Mr. Ross Stainton, deputy chairman of British Airways, in which he indicated that it might be necessary for British Airways to buy foreign aircraft.

Mr. Davis agreed that the morale of workers in the British aircraft industry must have been adversely affected by the suggestion that British aerospace was out of the running.

"Now that suggestion has been denied and refuted, and, accordingly, I hope British aerospace will be able to tender competitively for this very important project," he declared.

Dell hopes textile industry can look to happier future

BY IVOR OWEN, PARLIAMENTARY STAFF

LEADERS OF Britain's textile industry will give the Government their views on the quotas now far agreed in bilateral negotiations on the renewal of the Multi-fibre Agreement—due to expire at the end of the month—before the end of the year, Mr. Edmund Dell, Trade Secretary, told the Commons yesterday.

It is understood that the British Textile Confederation will see Mr. Dell and Mr. Eric Varley, Industry Secretary, on Thursday.

Members of the TUC Textile Committee are expected to have a separate meeting with the two Ministers.

Mr. Dell confirmed that the EEC Council of Ministers will decide its position on the renewal of the MFA next Tuesday. He declined to give an assessment of the outcome of the bilateral negotiations—the figures were still being studied—in advance of the meeting with textile industry leaders.

When Mr. Douglas Hoyle (Lab, Nelson and Colne) spoke of the bilateral arrangements, Mr. Dell assured him that this was one of the matters under consideration.

Mr. Max Madden (Lab, Sowerby) stressed the harmful effect of imports from Taiwan, Hong Kong and South Korea, and asked the Minister what the Government would do to help the industry about the prospects for the year ahead.

While declining to give an assessment of the outcome of the bilateral negotiations, Mr. Dell emphasised that they must be conducted in such a way as to ensure that the industry would be no worse off than it was before the negotiations.

In similar vein, he told Mr. Charles Fletcher-Cooke (Lab, Weymouth) that he hoped next week's decision by the EEC Council of Ministers would result in a "happier future" for the British textile industry.

State industries sent list of guideline offenders

BY IVOR OWEN

ALL NATIONALISED industries have been supplied by the Government with a list of the firms who have breached the pay guidelines, Mr. Joel Barnett, Chief Secretary for the Treasury, stated in the Commons yesterday.

He was replying to Mr. Peter Walker (C, Worcester) who asked if the nationalised industries had the authority to distribute the list to all those officials who might be concerned with purchasing policy.

Mr. Barnett avoided a direct answer on this aspect by pointing out that the precise subsequent action taken by the nationalised industries was a matter of day-to-day management and, therefore, outside the area of responsibility for which Ministers can be called to answer Parliamentary questions.

In a further question, Mr. Walker asked what action was being taken to see that the details of any sanctions imposed for breaches of the pay guidelines was communicated to shareholders and prospective shareholders in the firms concerned.

Mr. Robert Sheldon, financial Secretary, replied that the Government shared Mr. Walker's concern that shareholders should influence their firms towards concluding pay settlements in accordance with the guidelines. But such influence was better exercised in a continuous way rather than as pressure after an excessive settlement had been reached.

"I am sure that shareholders will bear in mind the well known possibility of the use of discretionary action against firms which conclude excessive pay settlements," he added.

Labour middle-ground policies challenged

BY RUPERT CORNWELL, LOBBY STAFF

MR. ANTHONY WEDGWOOD, Energy Secretary, last night fired the first salvo in a renewed campaign by the Left to secure a radical programme as possible for Labour to carry into the next general election.

In doing so, he unmistakably challenged the middle-ground policies of Mr. Callaghan and the present Labour Government to which he belongs—policies which the Prime Minister is clearly intending to offer to the electorate as a recipe for prosperity and success.

With his customary sureness of foot, Mr. Benn stopped short of outright criticism. But the divergences were plain as he laid a Labour economic dinner in London: "Now is the time to unite our whole strength behind our Socialist policies that go beyond a claim to be the natural party of government."

The call in last night's speech for a quick start on work on the manifesto is also bound to bring conflict with the orthodox Keynesian policies advocated by Social Democrats had failed to come up with the answer.

"There were many good Socialists who were persuaded that full employment was here to stay and that the Welfare State had passed beyond the range of inter-party dispute and that all that remained for Socialists was to govern with humanity and compassion."

Events of recent years have tragically dashed those hopes.

The dole queues are back again, public expenditure has been cut, productive resources are idle and living standards have declined.

In a key passage, he accused the Tories of wishing to put the clock back to 1926 and the climate of the General Strike.

Mr. Benn declared that 1978 "must be a year for boldness in putting forward fundamental solutions to deal with fundamental weaknesses in our present economic system."

Pointedly quoting the words of Mr. Hugh Gaitskell when he entered Parliament after the war, Mr. Benn described capitalism as "unjust, inefficient, and a system which produces insecurity."

Stressing that Labour's top priority was to develop its links with the trade unions to agree and campaign together for a joint programme, the Energy Secretary listed the central policies it should contain.

Britain's oil revenues should be used to finance a long-term economic strategy to regenerate the country's manufacturing base and to expand public services.

A view of places the Left squarely at odds with the Chancellor and prevailing Treasury wisdom, which accords top priority to the need to cut taxes.

Other vital points were: the creation of 1m. new jobs by 1980; adequate protection for British interests in the EEC; the development of industrial democracy, allowing trades unions to move closer to joint control of industrial decisions; and lastly, more open government and a reduction in the inequality of wealth and power.

change to lift the country out of recession.

Since 1945, he argued, Labour had moved steadily away from that commitment to radical reform but the orthodox Keynesian policies advocated by Social Democrats had failed to come up with the answer.

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Minister waits for new Japan car sales figure

AFTER A significant increase in the level of Japanese car imports this year, future figures had to be "more acceptable," Mr. Michael Meacher, Under Secretary for Trade, said in the Commons yesterday.

He added that the Government would look very carefully at the December sales figures and the forecast for next year before deciding what powers it might take.

Mr. Meacher said that although there were tariff problems in selling British cars in Japan, the main problem was to change the habit of the Japanese people buying their own cars.

Mr. Cecil Parkinson, Opposition spokesman, said that British motor industry had improved its own performance. Unless it did so, even if Japan imports were limited, other countries would fill the gap.

Mr. Meacher said the productivity performance of the British motor industry had been one of the main reasons for the 14 per cent increase in imports in the industry produced 1.5m. To-day, the figure was 1.3m.

Pay strikes increase

INDUSTRIAL STOPPAGES arising from pay disputes in the first ten months of 1977, the number of stoppage months of 1977 showed a 14 per cent increase over the figure for the whole of 1976, MPs were told yesterday.

Mr. John Gidding, Under Secretary for Employment, stated

Benn puts energy-saving plan to cover cars and homes

A TORY CHARGE that Britain was the last of the major industrial countries to bring forward energy saving measures was rejected by Mr. Anthony Wedgwood Benn, Energy Secretary, in the Commons yesterday.

Mr. Benn, who had announced what he called a "substantial package of decisions," said he did not accept that the U.K. was behind other countries. Similar packages in the U.S. and Germany had not yet been approved.

The programme, costing £320m. in the first four years, includes raising car mileage per gallon, improving insulation in more than 2m. council homes and setting up a new division in the Department of Energy, responsible solely for energy conservation. It will take up to 10 years to complete.

Mr. Benn said that oil savings of up to 10m. tons a year could be achieved. At the end of the ten year period, this could be worth £700m, a year at current prices.

He told MPs that £35m. would be spent to improve insulation and heating controls in hospitals and NHS buildings. Another £70m. would go on making similar improvements in educational buildings.

The Government planned to give local authorities up to £2m. a year to produce efficient energy management and install heating controls. The precise amount would depend on talks with local councils.

A 10-year programme of bringing public sector homes up to a minimum standard of thermal insulation would be launched. This would involve treating over 2m. buildings and would have major social benefits. Spending for this purpose would be eligible for central Government housing subsidies.

Provision was being made for expenditure of £114m. over four years.

Mr. Benn said that the Government was considering bringing in building regulations to control the installation of heating systems in new non-domestic buildings and their replacement in existing ones. A comprehensive document would be issued soon as possible.

"The Government has discussions with the industry on possible ways of raising the average miles per gallon achieved by new cars on methods of achieving targets."

He added that £500,000 would be spent on information publicity aimed at helping motorists to keep their cars well maintained and to drive more economically ways.

To achieve the possible savings in full would be largely on how far the motor sector watched his progress. Government would decide how far any further reinforcement of the package should be achieved by measures such as tax incentives.

Mr. Tom King, Shadow Secretary, welcomed the package but said it was "tragic" another winter had been lost. He was the last of the major parties to bring such a package.

Left beaten in defence debate bid

BY OUR BELFAST CORRESPONDENT

AN ATTEMPT, largely by Left-wing Labour MPs, to force the Government to hold a debate on supplementary estimates for defence totalling more than £427m., was defeated in the Commons yesterday.

The Government had a majority of 161 on procedural motion allowing MPs to pass civil and defence estimates "on the nod" without debate. Voting was 243 to 82.

The Left-wing protest was led by Mr. Ron Thomas (Bristol NW) who pointed out that 39 MPs had backed a move to reduce the supplementary defence estimates by £259m.

"There is no question that we wish to reduce in any way the pay of the armed forces. Many Labour MPs feel that at least the ordinary squaddie has a very good case for an increase in excess of 10 per cent," Mr. Thomas declared.

He was supported by Mr. Frank Allison (Lab, Salford E) who argued: "We are entitled to debate this. This is government without explanation. It is government by concealment."

Unexpected support for the Left wingers came from Mr. Ian Gow (C, Eastbourne) who argued that failure of backbench MPs to scrutinise the conduct of the executive and the spending of large sums of money would be "a betrayal of the trust" imposed on them.

Fitt anxious Ulster talks show have chance of success

Government talks with Ulster political parties should have a reasonable chance of success, Mr. Gerry Fitt, the SDLP leader, said in a letter to Mr. Roy Mason, Northern Ireland Secretary, that his objective is still a power-sharing Government.

Mr. Fitt, the SDLP leader, said in a letter to Mr. Mason, that the party was anxious that the new round of

Halt to weapons growth urged by Owen

DR. DAVID OWEN, Foreign Secretary, yesterday called for practical measures to halt "the cancer of weapons proliferation."

He told the Royal College of Defence Studies: "The ultimate object is general and complete disarmament under strict and effective control. This will require expert study and patient, determined negotiation."

Dr. Owen stressed: "We are not interested in vain propaganda gestures."

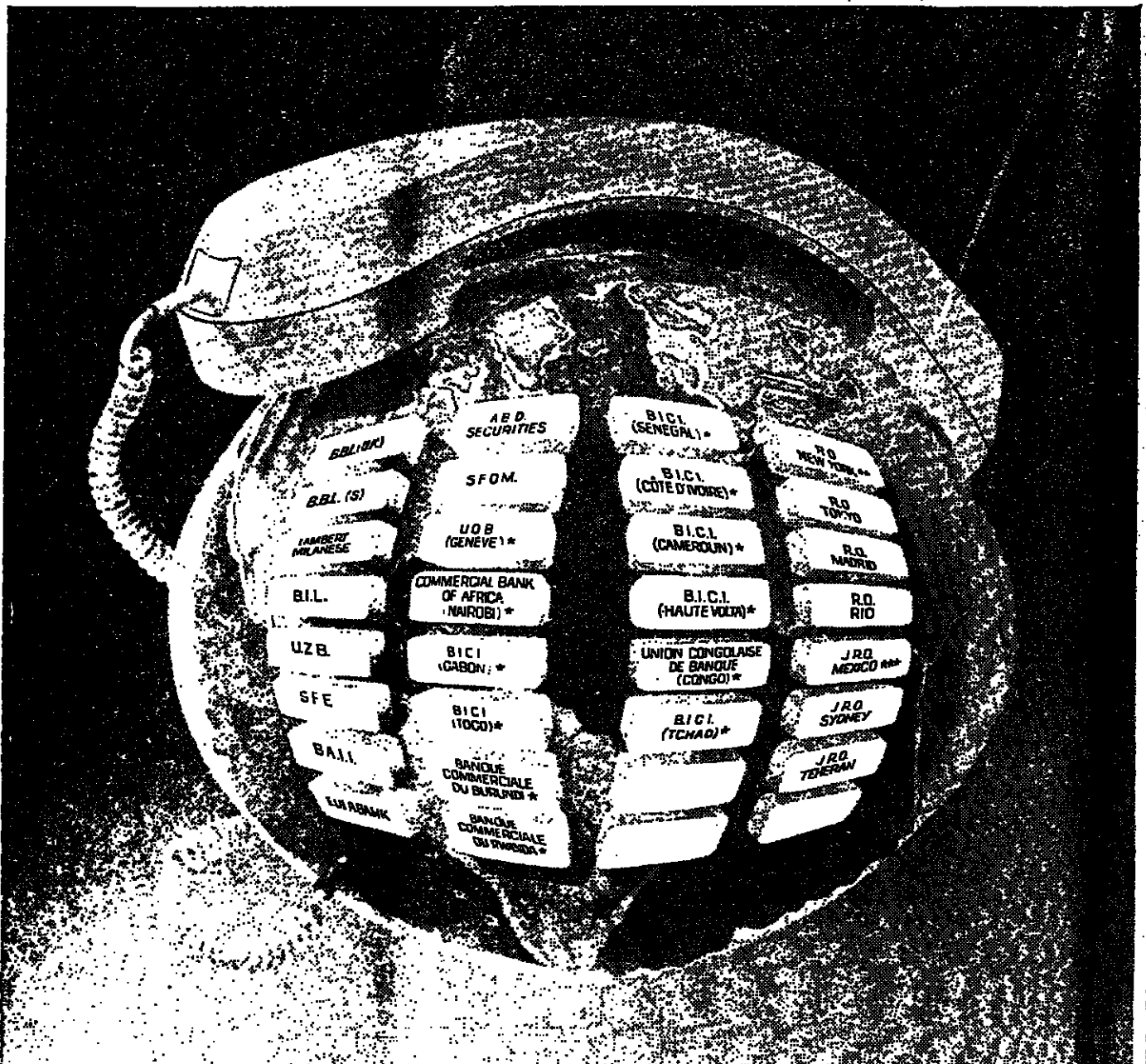
"In the last analysis, we shall only succeed if we can remove the incentive to acquire weapons. That means pursuing détente on a world-wide scale and renewing our efforts to eliminate the political and security problems

Government talks with Ulster officials to clarify the issues which you base your responsible chance of success. But he added: "Since these talks are on your own initiative and are based on your belief that the shift of opinion within the Official Unionist Party gives some 'hope' for progress, we would be willing to meet your

which feed military budgets." In his address Dr. Owen called for realism over Russia's ultimate aims. "Some people fear... that they will acquire a so-called first-strike capability which could knock out a large part of the U.S. strategic armory."

"The blunt truth is that, by any calculation, sufficient elements of the U.S. nuclear arsenal would survive a first strike to inflict unacceptably crippling damage on an aggressor."

He welcomed the initiative of the non-aligned countries in calling for a special session of the UN General Assembly devoted to disarmament next May and June.



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APPOINTMENTS

Robin Herbert to be chairman of Leopold Joseph Holdings

Mr. Robin Herbert has been appointed to the Board of LEOPOLD JOSEPH HOLDINGS and will succeed Sir Hugh Weeks as chairman in the latter part of 1978.

L. J. A. Wood, at present accounts director of the Remy Group, two special directors appointed by the company are Mr. A. J. D. Anstey, services, and Mr. D. E. Dyas, personnel (on the retirement of Mr. G. W. Smith).

changes have been made by PRUDENTIAL ASSURANCE COMPANY. From March 1 Mr. J. R. Powell will be assistant general manager (management services).

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A FINANCIAL TIMES NEWSLETTER

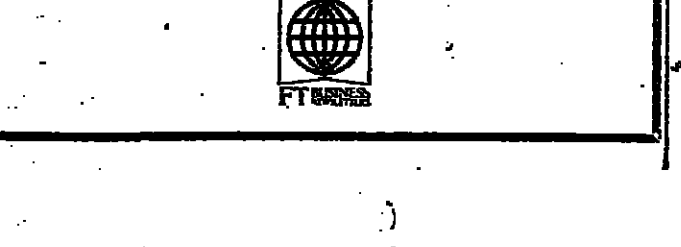
PetroMoney report

What is Adnan Khashoggi's Triad Group doing next?



In a wide-ranging interview with PetroMoney Report, one of Saudi Arabia's best-known entrepreneurs talks about Triad's future. Why does Triad think that Latin America is the next area it should explore? What are the prospects for Triad in the U.S.? And why the group thinks it has a good chance of winning the giant \$1bn Saudi Arabia-Bahrain causeway project.

For your free copy of PetroMoney, a Financial Times newsletter, containing this major interview as part of a series examining Saudi Arabia's important business figures, write to: Subscription Department (PMR), Bracken House, 10 Cannon Street, London EC4P 4BY.



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Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOFERS

TRANSPORT

Tells the passenger how to get there

OF IMPORTANCE to the travelling public at large, but also to all the organisations which operate the complex transport networks of large cities, is an electronic route finder which could be a centre of attraction when the Queen opens the £30m. Picaadilly Line extension to London's Heathrow Airport on December 16.

All a passenger has to do is to press one of the 270 buttons on the operating console, designating the particular London Underground station he wishes to travel to.

In either English, French, or German, the equipment will instantly flash on to a 20-inch screen the appropriate route.

Ten well-differentiated colours are used to trace the route and the directions are provided in clearly legible characters at points where the enquirer has to change trains. LTB-preferred journeys are also indicated, and should there be any special information relevant to one of the stations on the route, this will also come up on the display.

The whole unit, together with the microelectronics driving it, was designed by Warren Point, a centre which is becoming well known for its systems work to all the organisations which solve particularly difficult problems.

Object of the exercise was to provide a unit that would be simplicity itself to operate and have easy to maintain electronics. Warren Point engineers have provided a system which has the ability to compute routes as required rather than taking the more complex path of every possible route. This method would have demanded the on-line storage of about 13bn. binary digits of information.

Warren Point was given the job in April and within three months the whole unit was ready for assembly. Installation at Heathrow was on schedule and a second unit is to be installed in February next year.

The designers see applications for the electronic guide outside the transport industry, for instance in large hotels where it is relatively easy to lose one's bearings, and in big administrative buildings.

Further details from Warren Point at Prospect Place, Welwyn, Herts AL6 9EW. 0438 71 6055.

Easy tappet adjustment

DEVELOPED by Engineering Research and Applications, is an air gauging system that enables semi-skilled personnel to adjust motor car valve tappet clearance in a relatively short time to within 0.001 in.

There are no mechanical gauging fixtures, the only connection being between the engine and the setting aid being a short air hose connected to the spark plug aperture of the appropriate cylinder.

The aid gauges the clearance by monitoring the air flow between the valve and its seating when a calibrated oversized setting blade is inserted between tappet and valve stem.

The equipment first pressurises the cylinder and measures any leakage past the piston rings, memorising the figure electronically so that calibration can be altered accordingly. The operator then inserts the blade and adjusts the tappet screw until a pointer on a meter comes within a green zone.

More from London Road, Dunstable, Beds (0532 62301).

Adds winch to tractor

AN HYDRAULICALLY operated winch which can be mounted on any wheeled or crawler tractor fitted with three point linkages has been introduced by the Boughton Group.

The winch has a capacity of 15,400 lbs, and a bare drum line speed of 18 ft/min—at a hydraulic pressure of 2500 psi and motor throughput of 8 gpm. It can be attached or detached in minutes, freeing the tractor for other duties. Operation is by a single lever in the cab.

The group has also introduced a new three point linkage for any fully or semi-mounted plough or other implement, for fitting to crawler tractors. Operation of both the draught links and the top link is by hydraulic cylinders controlled from the cab. The top link is positioned so that a drive can be taken from the tractor top.

More from the maker at Bell Lane, Amersham, Bucks. (03464 4411).



Callbuoy believes this to be the first distress radio equipment specifically designed for totally enclosed survival capsules as used in the offshore industry and operating on 2128kHz. These enclosed survival craft have been standard fitting on offshore installations for some years, but it was not till June this year that such units were required to have distress radio communications as an essential part of their equipment. Plessey EAE Group is the U.K. servicing agent for Whitaker Corp's survival units and the U.K. group approached Callbuoy Electronics with this particular design requirement. OSCEER is the acronym for the unit which consists of a self-contained and self-powered transmitter/receiver working on the international distress frequency. It has been approved to the exacting MPT1205 specification and its associated environmental requirements and its range in northern European waters is over 100 nautical miles.

METALWORKING

Resurfacing cuts costs

LATEST EQUIPMENT from Eutectic is a simple-to-operate unit for flame spraying metal powders on worn surfaces, or for providing protective coatings on new items.

The RotoLoy unit uses an oxy-acetylene torch, to which is attached a container of metal powder. The powder is gravity fed into a venturi, where it is picked up by a bleed of oxygen from the main supply, and delivered to the flame.

For applications where the other carrier gas, such as carbon dioxide or similar inert gas, can be substituted for the oxygen, unit for flame spraying metal for more economic operation.

All the operating parameters of the torch are pre-set to achieve optimum results. Deposition rate of the coating is between 3 and 8 kg/hour, and thickness usually range from 1 to 4 mm. The component to be coated must be rotated, for example in a lathe, to give a surface speed of 20 to 25 metres/minute—the torch is traversed laterally 3 to 5 mm/revolution. Distance from the workpiece to torch varies from 180 to 210 mm.

Nozzles of varying lengths, with 45 or 90 deg. angled tips, are available for coating internal surfaces.

The pre-calibrated control valves supply oxygen at a pressure of 4 bars and acetylene at 0.63 bars, to produce a neutral flame of the correct velocity. No adjustment is required by the operator, except when spraying copper-based powders, when the acetylene valve is changed to another setting to give the required degree of oxidising flame.

Deposited thickness per pass is 0.2mm. The maker can supply automatic traversers for the equipment for large, or continuous applications.

There is a range of 18 metal powders available to produce the correct coating on mild steels, alloy steels, and stainless steel, as well as cobalt, nickel, aluminium and copper based alloys.

Selection of the powders is based on the service requirements of the component, and can provide resistance to abrasion, friction, corrosion and heat.

As examples of the savings that can be achieved, the company quotes an impeller pump shaft in EN8 steel, 6 feet 6 inches long by 3 1/2 inches in diameter and weighing about 4 cwt. The two bearing journals on the shaft, a total of 24 inches long, were coated 30 thou. deep—total cost, including labour, machining and consumables, was £94, while a replacement shaft would cost £281.

On a smaller scale, a mild steel shaft 3 feet 6 inches long by 1 1/2 inches diameter had a 5 inch long worn journal coated 40 thou. deep. This repair cost £15, compared with a new shaft costing £50.

Details of the process and equipment from Eutectic Co., North Feltham Trading Estate, Feltham, Middlesex, TW14 0UE (01-890 3890).

TONY FRANCE

By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services source material for its overseas broadcasts.

ENERGY

Saves boiler fuel

MINIMISING excess air on shell point and load condition and the boilers fired by rotary burners—necessary trimming signal is and thereby reducing fuel costs—then relayed to a motor which can be done electronically with biases the combustion air setting a unit developed by the Folee, Dorset.

In some cases—for example the division of the Powell Duffryn group—multi rotary burners with a common stack of units under high Group.

It is for the small factory or oxygen feedback system is not laundry or similar undertaking, suitable. In this event the oxygen using perhaps two shell boilers, analyser is replaced by fuel and fired by rotary burners.

Key component is a zinc-oxide cell which measures the air/fuel ratio control system. The oxygen level in a sample of flue measurements from these are fed gas drawn off from the stack by direct to the set point control an extractor fan. The cell unit which again relays the trimming signal to an electronic processor. An important characteristic of signal to the set point control the EET system is that it will unit. Here the oxygen level, as operate effectively right through represented by the electrical the turnaround range. signal, is compared to the set More on 02013 4333.

COMPUTING

Reduces the workload

TEKTRONIX has introduced two 40 will be able to store and microprocessor-based options for manipulate, locally, alpha- two of its storage display terminals and graphics data such as minals, the 4014 and 4015.

These 19-inch terminals can play, or constant background now store graphics symbols and graphics such as curves, when user-defined character sets locally. Option 41 gives the and can also set up, scale and user local interactive definition reposition graphics pictures of special character sets, scaling, independently of the central rotation and circle generation, computer.

Options consist of two plug-in ing on the application, mean a circuit boards that incorporate a microprocessor, firmware and more in on-line time and central up to 32k of random-access processor workload.

Current users of 4014 and 4015 POB 68, Harpenden, Herts, Har-terminals who order the option pending 63141.

Policy details displayed

EAGLE Star Insurance group quarters in Cheltenham. They plans by 1979 to have some 200, will provide Bristol staff with an visual display units in 23 under- on-line inquiry service giving writing centres throughout, the immediate access to all details Orders were placed with Harris Systems operated by the group of Hitchin.

Thought to be part of one of the biggest display terminal dis- installations in the U.K. insur- industry, the VDU's will be used work in an IBM 370/188 at the company's administration head- Harris Systems is on 0462 53462.

Marketing agreement

NEWCOMER to the modern mar- ket place is Nolon Communica- tions, which has just signed an agreement with Ambac Indus- tries in the U.S. to market the latter's model 7208, which operates at 4500 baud.

This COXIT V-27 compatible circuit and power supply are modern is designed for syn- chronous data transmission, over unconditioned four-wire voice- grade telephone lines. It can be used in full or half duplex mode over switched or leased Post Office lines.

A great advantage is that, although it sends synchronous data to line the modem, with an appropriate optional board plugged-in, can be connected to a relatively low cost syn- chronous data terminal. The agreement with Ambac Indus- tries in the U.S. to market the latter's model 7208, which operates at 4500 baud.

Network for Britannia

MIDAS branch terminal network equipment officially inaugurated by Sir Herbert Newton, chairman of the Britannia Building Society, is the first of its kind in which intelligent computer terminals provide pass book updating and "agent of office" use.

Other national societies with branch terminals installed use them as "back office" terminals and do not update pass books and a great deal of interest has already been shown in the new system which is acknowledged to be about the most sophisticated currently in operation.

Midas stands for mortgage and investment direct administration systems, has 14 branches in the West Midlands, all connected by North Feltham Trading Estate, Feltham, Middlesex, TW14 0UE (01-890 3890).

Each cashier has exclusive use of a transaction keyboard which is used to control the system and to enter information, with shared use of a printer and alphanumeric keyboard. Branch equipment also includes a cassette tape unit recording transactions when the communications line is inoperative and for program loading.

Further from Britannia Building Society, POB 30, Newton House, Leek, Staffs. ST13 5RG. Leek (0638 385131).

LAINC
LOCAL OR NATIONAL CONSTRUCTION SERVICE

RESEARCH

Strength of buildings

METHODS of preventing the graphic collapse of multi-storey buildings during earthquakes are the subject of one major research project being carried out at the University of Canterbury, New Zealand.

The research is related to the design of the building, the selection of material, and how construction contributes to the strength of the final structure.

To assess the design, earthquake conditions large sections of buildings, and full-scale sections of major support pillars and corner joints will be tested in a machine designed and built by Dartec. Mill Race Lane, Stourbridge, West Midlands B19 1RU (05845 77433).

The machine will generate cyclic loads to simulate the inertia forces acting on the structure of the building when it moves up and down during a major earthquake. The test involves can be up to 1000 tons and tape recordings of actual earthquakes can be used to realistic simulation of the effects on the building.

Believed to be the largest machine of its type to be exported from the U.K., it is electronically controlled and test both in tension and compression. The straining frame over 8 metres high and weighs 35 tons. Maximum load between the crosshead and plate is 4 metres, and the span area between the columns is 1000 x 750 mm.

The single hydraulic cylinder responds in 1/60th second, apply a load up to 1000 tons, is powered by a 300 hp hydraulic pump. Two hydraulic accumulators store additional oil, and pressure to give extra energy for simulating the first pulse of an earthquake.

Study of finishes on cars

A STUDY to examine changes in the U.S. automobile industry will affect treatments for cars has been posed by researchers at Battelle Columbus Laboratories.

The study will build upon a programme in European being conducted at Battelle Geneva (Switzerland) Research Centre.

The automobile industry currently represents a very important market for surface treatment for materials, processes, and equipment, but industry is undergoing very changes in design and material choices that in turn are leading to surface treatment changes.

To help companies respond to these changes, Battelle proposes to provide a comparative technical analysis of the different finishes and surface treatments, particularly for new processes and their applicability to the mobile. Key problems to be solved in developing new treatments will be emphasized.

Wang

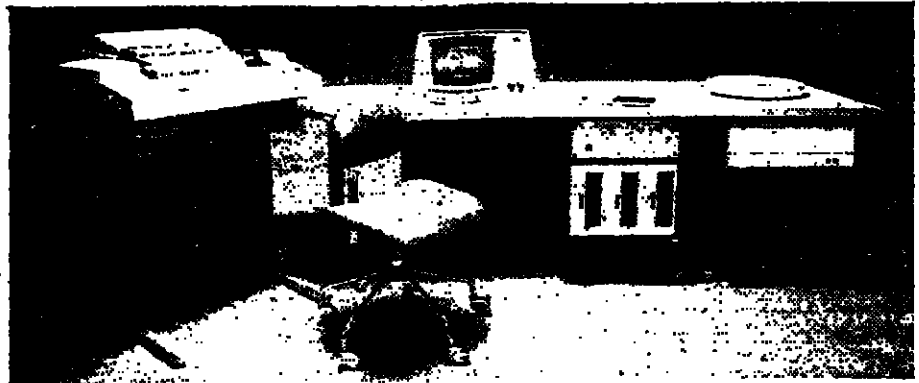
For 25 years the American small computer specialist has developed equipment suited to all sorts and all sizes of companies.

High reliability, state-of-the-art technology and competitive pricing have made Wang's reputation throughout the world.

Wang Laboratories, Inc. was founded by Dr. An Wang in 1951 in Boston, USA. Since those early days when its products included specialized data

the large computer and mechanical calculator. In 1969 Wang was the first to use magnetic tape cassettes and also first to offer plug in programs.

is much larger and includes extensive peripheral equipment to satisfy any user requirement.



Wang's range of small computer systems have been steadily evolved. Every item developed by Wang in the USA.

handling equipment, the company has steadily expanded. Today Wang is a world leader in small computer systems.

It was natural that Wang should expand its activities into more powerful calculators, into small computers.

Find a need and fill it: Wang's philosophy In the early sixties Wang pioneered the electronic calculator to bridge the gap between

Wang: pioneering the advance of technology In 1972 Wang introduced its first small computer system. And again incorporated totally new concepts. Today the range

Wang computers carry out day-to-day work faster, more efficiently and more reliably. They are easy to use, and thousands of businesses already rely on them in general management, finance, forecasting, scientific research, and numerous other applications.

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Wang's philosophy

The Management Page

EDITED BY CHRISTOPHER LORENZ

James Bartholemew describes how the Hestair group not only came through the financial crisis of 1973-74 but went on to consolidate and develop its assets.

A survivor from the go-go days

THE RECENT publication of two books on Slater-Walker has revived memories of a controversial era. Most of the go-go companies which were famous then — such as Jessel Securities, Vavasseur and Triumph Investment Trust — have disappeared or remain only shadows of their former selves. But Hestair, less famous at the time, survives. Why?

Starting rather behind the rest of the field, David Hargreaves, now its chairman and leading light, went through his "asset situation". He found it in Hestair — formerly the Heston Aircraft Company — which was incurring losses but was sitting on land right next to the M4 motorway. He bought the company in 1970 for £700,000 and immediately sold the land to a building company for over £1m.

Over the next few years he bought a great number and variety of companies and sold off their property assets for an immediate profit. The minor subsidiaries were usually sold off too, although significantly, the main activities normally stayed with Hestair. By 1973, Hestair was generating pre-tax profits at an annual rate of over £1m, and its shares reached a high that year of 178p.

When the widespread financial crisis developed in 1973, Hestair would have been in good shape to meet it had it been able to maintain its debt/equity ratio at a conservative 60 per cent. However, just before the quadrupling of oil prices it bought 50 per cent of the Ray Turner Group, whose interests included a Dutch book publisher and an employment agency. This deal was supposed to be very cheap since the sale of part of the group to a U.S. buyer had already been negotiated in principle. But once oil prices jumped, the American

buyer backed off. Hestair's gearing ratio thus rose to 200 per cent in the January, 1974, balance-sheet. But the situation turned out to be even worse than that. Having bought 50 per cent of Ray Turner, Hestair was committed under the City Take-over Code to make an offer for the rest. Hestair had never wanted to buy these other shares and when the market had been riding high there had been little likelihood that the formal offer would succeed. But the slump in equity values made the offer very attractive to shareholders who quickly accepted it. Hestair thus ended up with a total of 75 per cent of Ray Turner while its bank, Bankers Trust International, received 25 per cent. Hestair's debt/equity ratio between the 1974 and 1975 balance-sheet dates must have been considerably in excess of 200 per cent.

This jump in gearing could not have come at a worse time. Minimum lending rate was then standing at 13 per cent, money was tight and Slater made his famous but ultimately unsuccessful "dash for cash".

Whereas the other high-flyers were stuck with unsaleable assets and bad loans, neither of them producing income, Hestair had immediate access to the current assets and cash flow of its subsidiaries. Moreover the subsidiaries were profitable: which leads to the second, and most fundamentally important distinction between Hestair and many of its contemporaries.

While most of the others were headed by whizz-kids with backgrounds in accountancy, stock-broking, merchant banking or property, Hargreaves was actually a bona fide industrial manager. His side-in-trade, after spending his twenties in industry and a further nine years in management consul-

ments, which had been bought tancy, was management technique. So when he stripped a company of some of its assets, he had some idea of how to put the stock manage the business or bust-market was in free fall. And the loans were often to other high-flying companies which were also in trouble or, even worse, to over-stretched property companies. The most spectacular example of this was Dennis Motors. This had been bought in 1973 and some of its land and activities were sold. There were shares existed but the book value was only £1.3m, compared with gross tangible assets of £22.7m. There were no associate companies whatsoever and only one of the investments (in a French company) came anywhere near to being one. There were no loans to any company outside the Hestair group.

In fact the assets consisted of the normal ones for an industrial company. And like other industrial companies Hestair instituted an economy drive; £1m. was squeezed out of working capital despite the record inflation rates of the time, additional plant were minimal and the U.K. shares were sold.

Having cut the operation down to a viable base, Hestair set about developing it. The production systems were re-organised and money was put into improving product design and marketing.

Then Hestair at last had some good luck. The jump in oil prices which had ruined the Ray Turner deal provided a spring-board for Dennis Motors. The new rich of the Middle East apparently wanted special vehicles like Dennis fire engines. The opportunity there and in other countries overseas was pursued with determination and exports rose from only £30,000, at the lowest point after the takeover, to an



David Hargreaves with Hestair's best-known products: Dennis fire engines

expected minimum of £12m. in the current year.

But Hestair has also had successes where good luck was entirely absent. Profits growth at Stanhay (agricultural equipment) and SOS Bureau (an employment agency) for example have been in the face of difficult circumstances and the latter produced record profits in 1976 when some other employment agencies were in deep trouble.

In each case Hestair approached the problems on a wide front. In addition to close financial controls, which nearly all the conglomerates applied, Hestair revamped the management and marketing and production systems. For example, a look at the Stanhay brochures "before and after" Hestair's takeover shows the particular attention given to marketing.

While on the management side, anyone who was not prepared really to devote themselves to the company simply did not last.

Guiding light

Hargreaves was, and still remains, the guiding light who works out the corporate plan on which basis companies are bought and sold. He also keeps a close eye on each of the operating subsidiaries and visits them all regularly. Every major investment decision and nearly all the hiring and firing of senior managers is approved by him.

These things apart, the running of subsidiaries is left to the managing directors who are made highly accountable for both success and failure. A spirit of competition for the best results between subsidiaries is encouraged. This "committed" style of manage-

would probably have come out of it looking cleaner if the reduction in net worth had been explained in the 1975 chairman's statement. Hargreaves used the statement instead to expound on the successes and virtues of his company.

In general, Hestair's public relations has probably been the least successful part of the business. Part of the trouble has been Hargreaves' personal style. He himself says, "We are very sad about our reputation in the City. It must be our fault." And he admits, "We were too aggressive and too cocky in the early days. We were surprised by our own success."

A second problem is that the City is not sure how to categorise Hestair. Since it is a conglomerate, the image is so and is currently expanding the product range. Hestair's real interest in new plant and machinery is undeniable, and the fact that asset-stripping has provided some of the resources does not make it anything less of a useful contribution.

Four ways to combat the Japanese

FOR A MANUFACTURER adopted by the steel industry, Dodge Omni. Chrysler's market share has been declining (it is running at about 14 per cent) and the new model is of vital importance to its future.

If it fails, is it conceivable that Chrysler will seek to strengthen its links with its Japanese associate, Mitsubishi, not necessarily to increase the supply of cars from Japan, but to enter into a joint manufacturing venture in the U.S.? The Japanese manufacturers will certainly need to produce vehicles in the U.S. at some stage, as Volkswagen is already doing, and a joint venture might make more sense than the construction of an entirely new plant — if the antitrust authorities permit it. Perhaps American Motors, the smallest U.S. producer, which seems to be in a precarious position once again, is a more obvious candidate than Chrysler.

The idea of partnership as a means of dealing with the

Japanese threat has been given a considerable fillip by last week's announcement of a joint venture between General Electric and Hitachi in making TV sets. GE has a much smaller stake in TV sets than the two biggest U.S. companies in the field, Zenith and RCA, but it is still a substantial business and the decision to pool it with one of GE's most powerful world-wide rivals in the electrical and electronics industries is a significant one.

GE is an enormous company (sales of \$16bn. last year and 880,000 employees) and it may be that the TV deal is part of a complicated global bargain, perhaps affecting GE's position within Japan itself. But the principle behind it — the combination of Japanese technology and local manufacturing and marketing resources — is capable of wider application, in Europe as well as in the U.S.

Over the next few years more

and more Japanese companies ruled out by Leyland's operation agreement with them are unfamiliar with the Renault. A partnership may also have the effect of opening up the Japanese market for the Euro-may have to run the gauntlet of hysterical opposition from domestic producers. Further said last week that the agreement with Hitachi would safeguard employment for the 4,000 people involved in the business. It may be applied to those European companies now fighting what may be a losing battle to build new factories. (A seem to be a losing battle against the Japanese.

Geoffrey Owen

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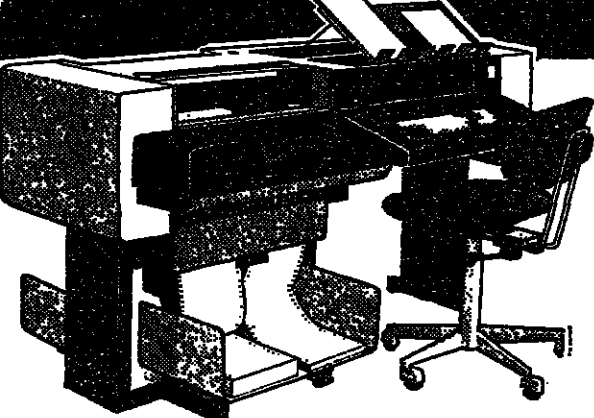
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and this points to a potential flaw in the defensive strategy — about the other measures suggested by the Administration.

These include a tripartite committee of representatives from government, management and trade unions which would examine the problems of the industry (shades of Britain's sector working parties), and assistance with finance for modernisation.

The clear danger is that, having invoked the aid of the Government to keep out imports, the industry will find the Government taking an unhealthy interest in all aspects of their business. There are mutterings about creeping nationalisation.

Roll back

At the other end of the spectrum the American car manufacturers have decided that the best form of defence is attack. Having seen the Japanese steadily enlarge their share of the car market to a point which could begin to threaten the viability of the domestic industry, the Americans are fighting back. In an outbreak of fierce price competition which is unusual in this industry, General Motors has reduced the price of its "sub-compact" cars like the Chevrolet and is battling to roll back the Japanese tide, especially on the West Coast where import penetration has been highest.

The Americans have been helped by the appreciation of the yen, but the Japanese have realised for some time that they could never compete on price alone, preferring to emphasise quality and performance. It remains to be seen whether American-built small cars will be as good as those made in Japan.

It is possible for the Americans to hedge their bets. Chrysler, for instance, the smallest of the "Big Three," is continuing to import small cars from its associate in Japan, while preparing for the launch of its first American-built sub-compact, to be sold under the names of Plymouth Horizon and

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Picking the winners and letting the losers go

The Tory test on Europe

THE QUESTION to be put to Westminster MPs. If they come to believe—perhaps after another hung Parliament—that PR is preferable, one would hope that they would adopt it. But there is no compulsion to have the same system for elections to different bodies.

Harmful

The point about timing is not necessarily overriding. In no way would one wish to suggest that the House should choose a voting system that it regards as unsatisfactory for the sake of meeting a European target date that could certainly be put back without provoking anything like a major Community crisis. But even the Tories and Labour, with only 81 constituencies, it is possible that only a small electoral swing could produce a disproportionate large number of seats for one of the two big parties. It has been widely assumed that the more likely scenario would be the Tories, though even that is questionable. Some of the work now being done at Nuffield College suggests that it will be Labour—the inevitable grouping of Tory suburban areas with Labour inner-city areas could lead to the Tory vote being swamped. Either way, however, it would not be in the interests of anyone in favour of the further development of the Community to have elections to the Assembly throwing up results that could be widely interpreted as either unfair, or at least anomalous.

Credentials

The Tories have it in their power to prevent that happening in to-night's vote. As it happens, PR is not only the one way of ensuring that the elections take place on time, it is also the system better suited to the occasion. If the Tories succeed in defeating it, it will be hard to take their European credentials any more seriously than those of the present Government.

No stampede to spend

TWO SETS of statistics issued yesterday suggest that the gradual revival in demand at which the Government is aiming may be rather more gradual than hoped for. In the first place, the provisional retail sales figures for November suggest that spending continued to fall in November for the fourth month in succession. This is the more disappointing, as it apparently stood to be improved by such factors as the tax cut for Phase Two, the increase in pensions, and the cut in income tax.

But two, at least, of these three factors are taking longer to produce their effect than earlier expected. The tax cut, for example, will make itself felt on the net pay of many monthly paid taxpayers only this month, in some cases not before Christmas. And the fact that so many workers are delaying pay settlements in the hope of slipping through a decisive breach in the Government's guidelines (the proportion which have settled since the end of July is much smaller than usual) is itself holding up the recovery. Whereas last year, moreover, Christmas shopping began early as people sought to anticipate a possible VAT increase, this year the pattern has reverted to normal.

Slightly up

The latest news from large retailers, in fact, is that sales since the turn of the month have been much better and that Christmas turnover will probably be slightly up in real terms on last year. But it is unwise to trace any lasting trend in what happens during the fortnight before Christmas. The only hard evidence so far that consumers are more ready to spend is the increase in consumer credit. Many retailers do not expect the trend to move decisively upwards until the spring, when the combination

of internal management problems and Government interference produced a very "English" performance. Whether Renault, after the retirement of M. Dreyfus and facing much more difficult market conditions, will continue to show the same dynamism is an open question. The company has been asked to play a rationalising role in heavy trucks, in machine tools and in farm machinery. Management has so far resisted requests that it should rescue "lame ducks," but pressures of this kind are likely to increase.

The French lesson

Where the French have scored over the British is by their refusal to take into public ownership entire manufacturing industries which suffer from deep-seated structural weaknesses and are likely to decline. The lesson which some French commentators draw from the experience of British Steel is that defensive nationalisation is to be avoided at all costs; the same applies to shipbuilding. Public ownership tends to freeze the industrial structure and make it more difficult to adapt. Steel companies may need to move out of steel-making, shipyards out of building ships, and it is difficult for a monopolistic State corporation to show the necessary flexibility.

In drawing up plans for sectoral intervention, it is sometimes possible to use a dynamic public-sector company as the nucleus for rationalisation. Just take the form of nationalising one leading company (in whole or in part), or giving selective support to that company. French experience with nationalisation (leaving aside the public utilities like electricity, gas and telephone) has been mixed. Renault has been an outstanding success and so, too, has Elf-Aquitaine, the oil and chemicals group. But, as a recent study¹ has pointed out, there have been special factors in both cases. Renault had the good fortune to be operating in a fast-growing industry and, in the case of Elf, to have a chief executive, M. Pierre Dreyfus, whose ability, strength of character and, of course, success

SOME INDUSTRIAL LEADERS IN FRANCE AND BRITAIN

(The table does not include foreign owned companies)

Sector	FRANCE		BRITAIN	
	State-controlled	Private or semi-private	State-controlled	Private or semi-private
Steel		Saclor Usinor Poussot-Citroen CSP ²	British Steel	
Cars	Renault Elf-Aquitaine ¹		Leyland BNOC	BP Shell ICI Shell BP NCC ³
Chemicals	Elf-Aquitaine CDF-Chimie ²	Rhone-Poulenc Pechiney Ugine Kuhlmann Creusot-Loire ⁴		GECC NEI ICL ⁵
Nuclear engineering		Alsthom-Atlantique ⁶ CIL-Honeywell-Bull ⁷		GECC NEI ICL ⁵
Heavy electrical equipment		Thomson-CSF ⁸ CIT-Alcatel ⁹ Thomson-CSF		GECC Plessey Ferranti ¹⁰
Computers				
Telecommunications				
Electronic components				
Aircraft	SNIAES (Aerospaciale)	Dassault-Breguet ¹¹	British Aerospace	
Aero-engines				
Synthetic fibres	SNIECHA	Rhone Poulenc	Rolls-Royce	Courtauld ICI Dunlop BOC Int.
Tyres		Michelin		
Industrial gases		Air Liquide		

NOTES: 1 Government holds 70%. 2 Government holds 35%. 3 Subsidiary of coal mining group. 4 Creusot-Loire owned by Renault. 5 In which Westinghouse of the U.S. and the French Atomic Energy Authority have minority stakes. 6 Nuclear Corporation is owned 30% by GEC, 15% by Atomic Energy Authority, 15% by other private sector companies. 7 Formed by merger between Alsthom, electrical group controlled by GEC, and Chateaux de France, electrical and engineering group. 8 Honeywell of the U.S. 9 Honeywell of the U.S. 10 Honeywell of the U.S. 11 Honeywell of the U.S. 12 Honeywell of the U.S. 13 Honeywell of the U.S.

discriminatory in their treatment of individual companies than crises, in which political factors have been dominant. The advocates of more systematic intervention want to guard against a repetition of, for example, the Plessey affair, where the Government was caught unawares by a financial crisis in one of the country's most renowned engineering exports and so on. This is how firms, the authorities had to agree to a rescue by one of the American multinationals, whose "colonisation" of the country One can easily imagine the explosion in the Stanhope Gate headquarters of GEC if, for example, the Government were to make Thorn its chosen instrument for expansion in domestic appliances, providing it with cheap money, preferential purchasing by the Electricity Boards and other privileges.

In the study of French experience referred to earlier, the authors put forward criteria for state intervention and outline in some detail the steps they think need to be taken in several key sectors so far sought to promote large-scale reorganisation. If the Government wants to take the initiative, it should probably concentrate its efforts on one or two sectors which really are strategic. An obvious area is the electrical/electronics sector, where there has often been speculation about the realignment among such firms as GEC, Plessey, Thorn, Ferranti and Deca. To charge about in the undergrowth of mechanical engineering as a National Enterprise Board appears to be doing with the Fairway purchase (and as the IRC did, with little success) is unlikely to yield worthwhile rewards. But, even if the Government intervened decisively in the electronics industry, can one be sure that the right approach is to create another giant? It is arguable that in electronics, where technology is still changing rapidly, the aim must be to create the conditions in which new entrepreneurial companies will flourish. Perhaps what the country needs is to set a counterparty to General Electric of the U.S., but smaller companies which will grow into British versions of companies like Hewlett Packard and Intel. For that purpose macro-economic policies, creating a favourable climate in which such firms can grow, are more important than structural tinkering. Whether a Government relies mainly on competition of intervention, the fundamental aim of any industrial strategy must be to encourage and facilitate the adaptation of industry to the new competitive conditions. Too often Governments have felt obliged to prop up declining enterprises and thus prevent the redeployment of resources from taking place; the rescue of Brentford Nylon from bankruptcy and the support for Bousset, the weakest of the French textile groups, are two examples. The really difficult part of industrial policy is picking winners, but allowing the losers to fade away. Nationalisations, per Christian Stofjes & Jacques Vizard, Flammarion, 42 France.

MEN AND MATTERS

More heat than light

A colleague came into the office yesterday just as the radio was reporting Anthony Wedgwood Benn's new crusade against wasteful energy use. "Economy should start at home," he mused thoughtfully. Benn has got no less than 18 lights in his office. "I called Benn's private secretary, James Bretherton, to check this startling news and ask him to count them up. "I don't think I could cooperate on that." "Why?" "Well you might publish it in the paper." "Exactly." "Well, we often have a lot of people in the room." "But surely the need for light depends on the size of the room, not the number of people."

"Yes, but when there are a lot of people we like to give light from several angles so they can all see." "How many lights do you need for that, 18?" "I cannot answer that without referring back." "To whom?" "To the Minister." "Would you mind?" "What sort of article are you writing?" "One about energy preservation—and practising what you preach." Silence... "I'll try and find Mr. Benn, but he is very busy rushing around, you know." That's open government for you.

Nothing doing

When the most secretive institution, the Bank for International Settlements, inaugurated its new Basle headquarters last summer, journalists were astonished to find that facilities included a well-equipped press room. Since the BIS had only been set up in 1930, it was not until then that the existence of journalists (or indeed any other non-banking members of the human race) was once a year during the Bank Governors' annual meeting, this seemed revolutionary. Alas, the BIS press room with its costly telephone equipment, telex and typewriters, turns out to be yet another example of wasted capital investment—and this on the part of an organisation designed to look after the world's economic health. Although the woes of the international financial community were focused on Basle yesterday for the regular monthly meeting of Governors, newspapermen found the press room firmly shut. "You have not been officially invited to what is purely a routine meeting arranged two years ago," they were told. "If we opened the press room, it would be an indication that we had something to say and that is certainly not the case." Hardly an attitude calculated to calm down the nervous foreign exchange markets.

Dealing debut

I took my hat off (metaphorically speaking) to Reuter's money market man, Michael Coaling, yesterday as he leant across the console of a dealer in National Westminster Bank's new computerised foreign exchange dealing room and asked casually: "How large is your basket of exotics?" The swift answer from Ray Cross, the centre's manager, was: "over 40." That's an exchange of expertise for you. For readers still in the dark,



"Why can't you let us have that information, Comrade? We have no secrets from you!"

"exotics" are to the trade such currencies as the Macao pataca, the Panamense balboa, or the Vietnamese dong—which, worthy as they may be, figure infrequently in world trade and commerce. Of course, the foreign exchange markets really get excited about major trading currencies: the dollar, D-Mark, sterling and the like. But it was fairly routine morning's trading yesterday as chairman Robin Leigh-Pemberton inaugurated the "over £500,000" centre, intended to give the bank an edge in speed and efficiency. The Australian dollar reacted calmly to the Liberal's expected election victory, the pound hiccuped on reports of union militancy in the Scottish coal mines and the U.S. dollar was marking time until something emerged from Basle.

The 70 or so dealers, with their direct lines to brokers and instant-recall video screens

beside them, sit in a semi-circle of serrated ranks, like a miniature U.N. Each has a little national currency flag in front of him. The "exotics" men have a small vase of flags. It all hums with quiet confidence, but the tension which accumulates in such rooms when a currency crisis arises must be painful.

Change gear

It's into the saddle for Tanzanian cattle ranchers, following a government decision to import 500 horses from Australia as part of the effort to save fuel. Conditions in the Australian outback make the Australian ranching horse a tough breed, well suited to Tanzanian conditions. But horses are not the only beasts of burden which Australia exports. It also does a steady trade in camels to Afghanistan and Middle Eastern countries.

In the old days the camel train was one of the principal means of transport for heavy or bulky objects across the Australian outback; but with the advent of the car and truck many were released into the bush where they survived and prospered. Camel hunting is now a useful source of income for many aborigines in the sparsely populated north; the aborigines are light on petrol, too.

'Allo, 'allo

Just to prove that not all telephonic misconceptions are the fault of the Post Office, a reader sent us the following account of a telephone call from Belgium. Female voice (foreign accent): "Mr. Benham, please." Reply: "Benham speaking." Female voice: "Can I talk to him when he has finished, please."

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FINANCIAL TIMES SURVEY

Tuesday 13 December 1977

Under impetus of change

by Robert Graham
Madrid Correspondent

SPAIN

Despite—some may say because of—its growing economic problems, political and social change in Spain has reached the point where it probably cannot be reversed. But there is still ample evidence of the Old Guard.

BASIC STATISTICS

Area:	184,967 square miles
Population:	36m. (1976)
GNP:	Ptas.5,031bn. (1975)
Per capita:	Ptas.141,320
Trade (1976)	
Imports:	Ptas.1,170.4bn.
Exports:	Ptas.583.5bn.
Imports from U.K.:	£367m.
Exports to U.K.:	£357m.
Currency:	Peseta 166=Ptas.150.60

JUDGMENT OF THE changes in Spain since General Franco's death in November, 1975, is like a definition of beauty: dependent on the eye of the beholder. Spain has changed and Spain has moved quickly towards reforming itself into a parliamentary democracy. Yet many of the old institutions and personalities that sustained the dictatorship still remain, albeit sometimes in new guises.

The extent of the transformation is deceptive because it has not been so orderly. From the inference of power to King Juan Carlos through the holding of Spain's first democratic elections since 1936 in June to the establishment of a moderate government under Sr. Suarez, a sober conservatism has prevailed. At times it has seemed as though it is some orchestra playing the same tune under a different conductor.

Professional Services, formally incorporated as a state body with some 30,000 employees and a special budget of \$300m. Its precise functions are unclear although it has not interfered with the legalisation of trades unions (which are very short of reforming itself into a parliamentary democracy. Yet many of the old institutions and personalities that sustained the dictatorship still remain, albeit sometimes in new guises.

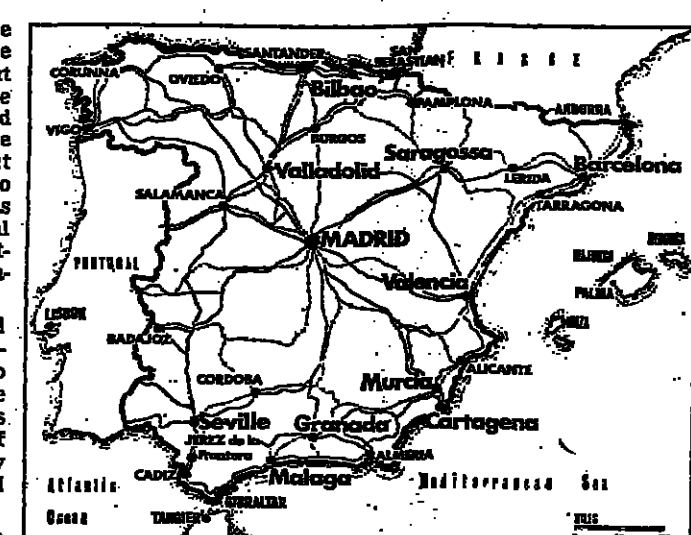
Many members of the movement, the political institution which sustained Francoism, have now moved into the political parties, not the least of these being the Prime Minister himself, Sr. Suarez. The principal sources of power, which supported Franco, are still clearly identifiable. The armed forces, the guardians and guarantors of Franco's Spain, have not been purged. When the Communist Party was legalised just before the June elections, it prompted the resignation of the Navy Minister, Admiral Pita de Veiga and considerable unrest within the higher echelons of the armed forces.

not been disbanded. Extreme right-wing organisations are shown a degree of tolerance that the left does not enjoy despite the odd token arrest. Armed right-wing militant groups, like the picturesquely called but sinister Guerrilleros de Cristo Rey, are able to carry out acts of thuggery and political violence like the burning of left-wing bookshops often unreported in the Press.

Added to this, the financial structures which provided life-giving support to the Franco regime remain in place. The banking system in particular is still basically in the hands of families or institutions run by individuals who regard democracy with mistrust.

All these elements are a strong restraining force on the restoration of democracy in Spain, accounting in large part for the kid glove approach of the King and the political parties. Nevertheless, it is difficult to strike a median between exaggerating and underestimating the strength of these forces. This applies especially to the role of the armed forces. In many respects the fate of these Francoist power structures is like that of the redundant executive who is given a salary, a title and an office but little to do. Events are passing them by.

The armed forces may not have been purged of any members, but they now have a liberally-minded Minister of Defence, General Manuel Gutiérrez Mellado. The General,



appointed by the King to run a reorganised ministry which controls all arms of the services, made a symbolic gesture before taking office in July—he voluntarily renounced active service in the armed forces.

More generally, the armed forces, if they have acquired the minimum sensitivity to public opinion, should realise that if the military sought to influence the political process too clumsily they would provoke a strong popular reaction.

Just as significant, the financial structures of Francoism, though surviving, are under pressure because of the recession. Bank secrecy for the first time has been lifted for tax purposes and the so called "privileged circuits," funds

made available at special low interest rates, are being reduced. The banks are adopting a low profile and for the elections, while sympathising with the right, are said to have handed out funds to most of the major parties to hedge their bets.

The fundamental change taking place is that of the accountability of power. King Juan Carlos obtained his power through a simple transference from General Franco and even now there is no proper constitutional basis for wielding this power. But by careful consultation with all shades of opinion and by showing deference towards the establishment of a parliamentary democracy, he has gained acceptance for the

institution of monarchy. This could not be taken for granted at the outset, or indeed when the seven man inter-party constitutional committee began to frame a new constitution. In the event, according to the recently leaked constitution text, Spain will opt for a "parliamentary democracy," the King acting as the symbol of national unity but subservient to Parliament.

Parliament, six months old, has had neither the time, nor the real authority in the absence of the formulation of a new constitution, to prove itself. Decisions have tended to be made at the level of party leaders. Nevertheless, the accountability of government has been evidenced by the broad programme of political and economic reforms known as the Moncloa Pact which Sr. Suarez persuaded the opposition Communist and Socialist Parties to sign in October.

Sr. Suarez knew that to obtain a form of social contract, binding the country's workforce to an unpopular limit on wage demands, was impossible without the active support of these two parties. The trade-off was a Government commitment to implement a whole series of structural reforms in education, social welfare, housing and tax matters, very much aspects of the opposition Left's electoral platform.

One suspects that the politicians' general lack of ideological recrimination and their seriousness in trying to

resolve the political and economic problems bequeathed by Francoism is geared more to impress the general public at large. In this sense the potential threat from the military has acted as an effective dampener on political extremism. Not to be neglected either is the cumulative influence of Western Europe and the U.S. in wishing to see a smooth transition to democracy and integration into the European Community. The international climate differs substantially from the alarmism of the days when the generals took over in Portugal.

There are two unknowns in this scenario. Spain is attempting to introduce democracy at a time of economic recession and rising unemployment. Economic performance will be a determining factor in political stability and in retaining the style of consensus politics that Sr. Suarez has adopted.

The other unknown is how demands for regional autonomy, accepted in principle by the government, will develop. The recent violent riots in Malaga provoked by the local authorities' refusal to fly the Andalusian flag are a reminder of the volatility of the situation. Likewise the disruptive capacity of those elements in the Basque nationalist guerrilla organisation ETA that still insist on violence should not be underestimated. Nevertheless, Spain has come far enough down the road of democracy to take some stopping.

For instance the former Ministry of Information, previously responsible for Spain's press censorship, has transformed itself into the Ministry of Culture and Tourism. The building is the same and so are the servants watching over the ring number of publications, serious and frivolous, that are meant to attract readers from a newly deprived public. The *sindicatos verticales*, the all-racing labour organisation of the Franco era, has lost its status but is now operational as the Institute of Social and Pro-

Mentality

The security forces and the police remain the same which enforced order under the dictatorship, and their mentality appears to have altered little, evidenced by the cavalier way they continue to treat demonstrators or the withholding of arrest announcements—sometimes up to three days after the event.

The numerous intelligence services, beholden to various ministries or the military, have

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SPAIN II

Economy faces threat of deepening recession



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SPAIN IS now experiencing its first real economic crisis since the industrial boom began in the 1960s. The indicators, whether official statistics or polls of business opinion, point in one direction—towards a deepening recession.

Unemployment is rising with some areas, especially the south, recording the highest unemployment ratios in Europe. Even official statistics, which are very much on the conservative side, show the jobless total up by over 50 per cent. on last year.

Credit is being squeezed, while both demand and investment is falling off, the most noticeable sectors being capital goods and construction. Added to this, Spain is saddled with an inflation rate now running just under 30 per cent. a year—the highest rate within the OECD.

This is a gloomy catalogue of ailments for the economy and it is worth adding one important rider. Although there is little dissent as to the present state of the economy, opinions vary enormously as to likely performance in 1978. A turnaround hinges on the success of the broad economic programme—the Moncloa Pact—formally approved in October by both the main opposition parties and the Government. The programme has thus far had no time to demonstrate whether it is working and judgments will only be possible by April or May next year.

Nevertheless, the optimists—and there are a surprisingly large number among those closely involved with the economy—believe Spain is now approaching the bottom of the trough. They believe that the credit squeeze is having the required effect and that major improvements have been already made in reducing the payments deficit. The pessimists, on the other hand, consider that the problems inherent in implementing the Moncloa Pact will lead to its failure, with a continued unacceptably high level of inflation, a wage policy in ruins and no improvement in business confidence.

Superficially at least some of the symptoms of Spain's economic crisis are the same as those experienced by Britain and Italy after 1973. But this similarity should not altogether obscure the more complex origins. At one level Spain's current problems stem from its rapid transition from an agricultural to an industrial society based on cheap labour and cheap sources of energy—and once the price of energy rose in 1973, from falling to take sufficient heed of the consequences. More generally Spain is paying the price for the authorities' neglect of the economy and the complacent way under General Franco protectionism allowed performance to be taken for granted.

At least 10 per cent. has been lopped off original spending estimates, but even so the Government has been obliged to adopt a much more socially orientated budget with increased funds allocated to education and more particularly to social security. Thus spending will still increase at over 25 per cent.

Social security has for the first time been incorporated into the budget, as part of a major reshaping of the budget format, and accounts for 40 per cent. of the proposed total outlay of Ptas. 3,207,600. It is hoped that the inflationary effects of these increased expenditures will be offset by increased direct and indirect taxes which will raise fiscal revenue by some 25 per cent.

The pact envisages new guidelines to cover the financing of the overall budget deficit. The most important of these is the resort to a large public debt issue for the first time. Approval has been given to two issues of Ptas 20bn. each, the equivalent of \$240m. The first was launched in early December. Both will carry an attractive 10.25 per cent. interest rate, boosted by tax

write-offs making the rate considerably higher. In addition, authorisation has been given to borrow abroad to finance the deficit.

As for wages, the pact has placed a 25 per cent. annual average ceiling on demands for 1977—applicable to all claims agreed after the pact regardless of whether negotiations had been started before that date. The norm for 1978 is a 22 per cent. ceiling, reviewable next July if inflation fails to come below 25 per cent. (on an annual average basis). The economists within the Government argued for a lower ceiling of between 15 per cent. and 17 per cent., but this was rejected as politically unacceptable.

current account trend is such that already the central bank believes that the deficit for 1978 could be down to \$2,500m. Certainly the success of the "semi-clean" peseta float since July and dampened demand have been major factors why Spain has not yet asked the IMF for financial assistance but has merely sounded out the Fund about possible stand-by arrangements.

The monetary weapon is the easiest to use and it is on this that the planners are pinning their hopes. As a result of the credit squeeze, interest rates have jumped from 11 per cent. in July to 30 per cent. now. The scarcity of domestic credit is evidenced by the increasing use of the Euromarkets by large companies, the small number of new share issues, the growing group of companies in construction, steel and textiles that are delaying wage payments, the almost universal running down of stock and the large-scale resort to unofficial credit via non-payment of taxes, social security dues and suppliers' bills.

rate structure is being reorganised, and public expenditure is shifting more towards aiding lower income groups. Perhaps most important of all, the Government is seeking to move away from its interventionist approach towards the adoption of market principles and public accountability for State enterprises.

The difficulty here is evident enough. The Government is trying to rationalise often badly run public or publicly controlled companies (the State holding company INI provides 40 per cent. of all industrial investment) at a time of recession.

The success of these harsh remedial measures is closely linked to longer term structural reforms also agreed in the Moncloa Pact. These constitute a radical overhaul of the outmoded Franquist economic system that allowed the private banks to build up unprecedentedly powerful positions in industry, protected through privileged access to cheap credit, protected incompetence and poor management by lack of accountability, and ignored a fair distribution of wealth.

Now the tax system is being re-written, the banks are being put under scrutiny, the interest

Market principles are fine if the social and political consequences of allowing, say, the shipbuilding industry's lame ducks to go to the wall are ignored. The threat of large-scale unemployment may be a deterrent to exaggerated wage claims but not against unrest provoked by just letting industries disappear. A test case in this respect is the shipyards at Cadix where work is drying up at a time when the industry has almost 40 per cent. excess capacity.

In other words there is a limit to which the authorities can defate the economy. But equally they cannot afford to stimulate recovery too early without undoing all the beneficial effects of the squeeze.

Observance of the wage ceiling will be crucial in this respect. Some 2.3m. workers are now affected by negotiations in progress for new wage agreements. If these major agreements in such sectors as the motor industry proceed smoothly then by next April the authorities should be able to think of easing the pressure. However, at the moment there is no guarantee that wage negotiations will go smoothly and this could then upset all the calculations.

Robert Graham

Delays

These errors have been compounded by inevitable delays in economic decisions resulting from the vacuum created by Franco's death and the 18-month transitional period up to the elections last June. For instance, the 20 per cent. devaluation of the peseta agreed on July 13 last was a move which should have been taken much earlier, and the delay cost the reserves over \$1.2bn.

Reluctance to devalue was natural in the absence of an overall economic strategy. This strategy began to be formulated after the elections but devaluation and a tightening of credit had already been made in August when the payments deficit. The pessimists, on the other hand, consider that the problems inherent in implementing the Moncloa Pact will lead to its failure, with a continued unacceptably high level of inflation, a wage policy in ruins and no improvement in business confidence.

Projections

The macro-economic projections of the planners—largely the work of Prof. Enrique Fuentes Quintana, Vice-Premier in charge of the economy—are that the domestic product will have a 1 per cent. nominal growth in 1978. Capital formation will decline in real terms by 2.5 per cent., while overall consumption will remain static. Imports will be held to a nominal real growth so allowing for a reduction in the balance of payments deficit from the 1976 high of \$4.2bn. to \$2.8bn. by end-1978.

The programme has started with one advantage. Market forces created by high inflation, a levelling of domestic demand and a decline in investment confidence caused by political uncertainties had already acted as a dampener. Imports for the first ten months of 1977, at \$14.9bn. are only 5 per cent. up; but the main item—energy imports—has held steady at \$4.13bn. (against \$4.11bn.) which in real terms represents a decline. Capital inflows since devaluation have boosted reserves and tourist receipts are almost 30 per cent. up. Meanwhile exports are 21 per cent. higher at \$8.3bn.

The balance of payments on various party groupings there has been considerable discussion—and still is—the Party's only real asset.

The election result is confusing to analyse because the opposition lacked funds and had little time to organise; the complex voting system also favoured the larger parties and was not proportional. The result is more instructive in terms of overall votes. The committed votes on both the Right and the Left (primarily Alianza Popular on the Right and the Communist Party on the Left) obtained just under 20 per cent. The vast majority of voters, it seems, were in search of a party not ended by committing themselves to a personality—Sr. Suarez. In the case of UCD and Sr. Felipe Gonzalez with the Socialists (PSOE) who obtained 33 per cent. of the vote, it was a centrist vote with a reformist emphasis.

Robert Graham

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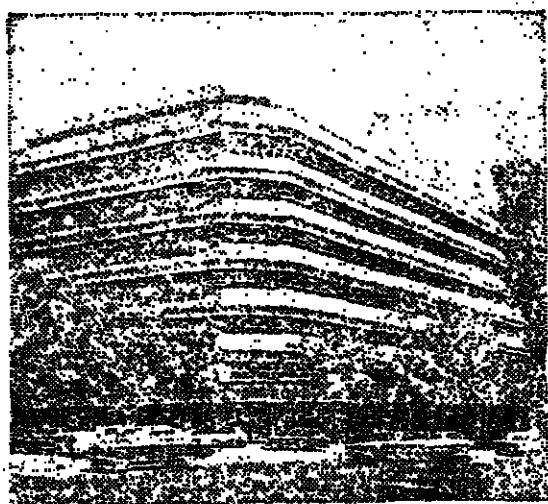
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Politics move toward a balance

In short the Party's initial survival depended upon its electoral performance. Sr. Suarez was—and still is—the Party's only real asset.

His critics claim that he is nothing but a clever opportunist with no political depth. But even they do not, or rather cannot, conceal a certain jealous admiration for the manner in which he has raised his stature in such a short time above his fellow politicians and steered through many a hostile water.

From being Secretary General of the Movimiento, the political organisation that sustained Franquism, to being accepted by the Communist Party leadership as a viable partner in a form of consensus politics is no mean achievement. To do this shows his lack of ideology—but this has been his strength in dealing with the opposition and has helped to provide the all important low key atmosphere during the delicate transition period from the ending of Franco's dictatorship to the establishment of a fully fledged democracy.

But as distance begins to separate the electoral results of last June and the performance of his Government has time to be judged, this lack of ideology creates problems. Sr. Suarez formed the Democratic Centre Union Party (UCD) as a means of providing a common front of Christian Democrat parties with "Centrist" leanings to fight the elections. The Party, containing 12 main groupings, was formed only on April 23 last—less than two months before the elections. The Party itself was not formally constituted until August after it had obtained the single largest number of parliamentary seats.

Results

He has moved even further by making the main opposition parties, the PSOE and the Communists, agree to become party to these reforms by signing the Moncloa Pact in October. The pact embodies the government's main programme of political and economic reforms.

By seeking to cut the ground from underneath the feet of the opposition, the Socialists in particular, he has done two things. He has shown that the PSOE represents his real electoral threat. Equally important he has given the UCD a Centre-Left tilt. It is not known to what extent this has been against the wishes of UCD

voters, but certainly within the various party groupings there has been considerable discussion—and still is—the Party's only real asset.

Because Sr. Suarez has sought to push the PSOE to one side, he has found a much more natural political partner in piloting Spain through the delicate transition period in Sr. Carrillo of the Communist Party. The principal soundings on obtaining formal opposition approval for a joint programme of economic and social reforms were made with Sr. Carrillo, and there is even a story that when the PSOE first set down to discuss the Moncloa Pact the Communists had all the documentation and they did not.

Sr. Carrillo has clearly made the most of this. Such close involvement in decision-making has the advantage of conferring a degree of respectability on the Communist Party. But the old stoichiometric behaviour during the Civil War remains, and Sr. Carrillo has at the same time committed himself to economic policies which are tough on the working class, his grass roots support.

This too is where Sr. Gonzalez is also looking for his main support. He does not suffer from the historical stigma of the Civil War but he suffers from being an untried quantity, compensated only in part by his good television personality and appealing looks. He is the only "stranger" in the party, and significantly the PSOE has not yet been able to establish the kind of direct support with the trades unions that makes the

British Labour Party so strong electorally. The UGT, the second main union, is Socialist oriented but not PSOE controlled; its voting pattern is not yet determined.

Without any scientific evidence to prove it, a sizeable proportion of the Centrist vote went either to Sr. Gonzalez because people were afraid that Sr. Suarez would be too closely associated with the hardline Right (people like Sr. Manuel Fraga, I believe) or to Sr. Suarez because they feared Sr. Gonzalez would be too radical; to the Left. None of this has happened, if anything the opposite.

Thus voting patterns in the all-important municipal elections, to be held early next year, are hard to define. The opposition parties cannot really act as opposition since Sr. Suarez has chosen to play consensus politics. This has been reflected in Parliament, too, where debate has been generally turgid and where the deputies have acted mainly as signatories of legislation.

This situation of consensus politics is based upon self-interest and, if one is charitable, an element of genuine patriotism in a difficult moment for the country. The self-interest of the Communists and the Socialists is that by co-operating now in a transition to democracy they will ensure that democracy works—and in a fully functioning democracy they believe their objectives of gaining power can be realised. Sr. Suarez, on the other hand needs these two parties as partners to make them co-responsible for unpopular policies like wage ceilings and a credit squeeze.

At the moment it is hard to escape the conclusion that Sr. Suarez is the chief beneficiary—for if the Moncloa package succeeds the main credit goes to him and if it fails, he can make the other partners also responsible. However, he can only capitalise on this in the longer term if he can mould a coherent party framework within UCD, something which has so far eluded him.

R.G.

GROWTH IN SPAIN

● FACILITIES FOR FOREIGN INVESTMENT

It is obvious that Spanish economic development during the past fifteen years has been attained through an increasing process of integration between Spanish and the World's economies, and as part of this process foreign investment in Spain has played a crucial role.

In effect the three main pillars of Spanish economic policy which has been used for the past two decades have been the consequence of a total flexibility of the economy in order to adapt it to the schemes of a market economy, the maintaining of a realistic rate of exchange and its handling according to international Monetary Fund regulations as well as foreign investment as a support of the economic expansion process.

Foreign investment has made it possible to obtain the additional amounts of capital needed in order to achieve the forecasted rates of development, simultaneously with the income for foreign payments required to offset our trade balance which was strongly influenced by the rapid growth process and, last but not least, it has also supplied the technology needed to improve business methods and production processes.

With a climate of freedom for the exercise of their economic activities, foreign corporations have obtained during the last years satisfactory levels of yields in a market with a great dynamic growth. In this economic climate, the total amount of foreign investment has been very important, especially direct investments, namely those

that materialise in the control of Spanish companies by foreign capital, which amounts to an annual figure of 300 million and 400 million dollars and have contributed as a principal element to the favourable course of the Spanish economy. At the same time, this important flow of capital serves both as a receiver of investments and also for new investors, as a valid reference in our market.

The wish to attract foreign capital has not changed in the government's declarations insisting in the function that is being left for foreign capital in Spanish economy. To this effect liberal and wide legislation allows participation of foreign capital without government intervention up to 50 per cent. of the total capital of the company and there is also quite a liberal system granting authority for higher percentages. The latter is easily obtained.

On the other hand, growth expectations for Spanish economy are reasonably good: there is still an abundant supply of labour, fairly well trained, or with easy training capability, productivity increases of the Spanish economy which stand well over the OECD average still have great possibilities for improvement and, finally, internal demand in rapid evolution offers an interesting market.

If we add to this, as figures show, the country's great possibilities as a platform of concurrence for third markets, we can have an idea of the attraction for foreign investment that Spain maintains.

● OVERSEAS TRADE EXPANSION

Growth in Spain in recent years was brought about by a remarkable expansion of Spain's foreign sector.

Imports in 1959 amounted to 8 per cent. of GNP. Last year this figure nearly doubled (15 per cent.). Other items have followed the same pattern. Tourism, for instance, leaped through the sixties to levels that would have aroused incredulity only a few years before.

The fast rate of growth has only been possible thanks to the avidly needed purchases of foreign goods by domestic industries.

Economic growth thus explains the upward trend of imports. The removal or reduction of tariff barriers to trade has played an important part in this. Spain, a member of most international economic institutions, has made clear to the EEC its intention to become a full member as soon as possible, considering the present 1970 Treaty, for political as well as for economic reasons.

The build-up of new industrial products highly competitive everywhere. Many would be surprised to know that in 1975 only 23.1 per cent. of Spanish exports were made up of agricultural goods, 23 per cent. of summer goods, 21.5 per cent. of investment goods and the other 33.6 per cent. of raw materials and semi-manufactured commodities.

The favourable trends of investment goods and the other 33.6 per cent. of raw materials and semi-manufactured commodities, external balance, as foreign customers and visitors will see their purchasing power increased by the economic recovery.

Becoming an EEC partner accounted for 46.7 per cent. of total exports, and Spanish products free entrance to a much larger market. Western Europe re-adjustment in trade would also gain a dynamic structure stands as the best member, thus resting on a proof of Spain's economic secure base.

● HIGH ECONOMIC GROWTH RATE

Spain is one of the countries which has experienced a high economic growth in the last fifteen years. The annual rate of development during this period has been 6.7%, remarkably higher than those of France, West Germany, and even the United States.

This 23% of its GNP and to-day it is only 10%. It is well known that to-day Spain is one of the world's biggest industrial countries. Industrial growth has experienced one of the greatest increases this century, comparatively higher than those shown by countries with really outstanding industrial progress like Italy, West Germany or France, and even comparable to Spain's remarkable process of industrialisation.

In the services field, Spain has also reached considerable expansion helped to a great measure by the important economic resources of tourism. This feature is well highlighted by the number of visitors from abroad which has increased from six million in 1969 to more than 30 million in 1975 (Spain's population is thirty-five million).

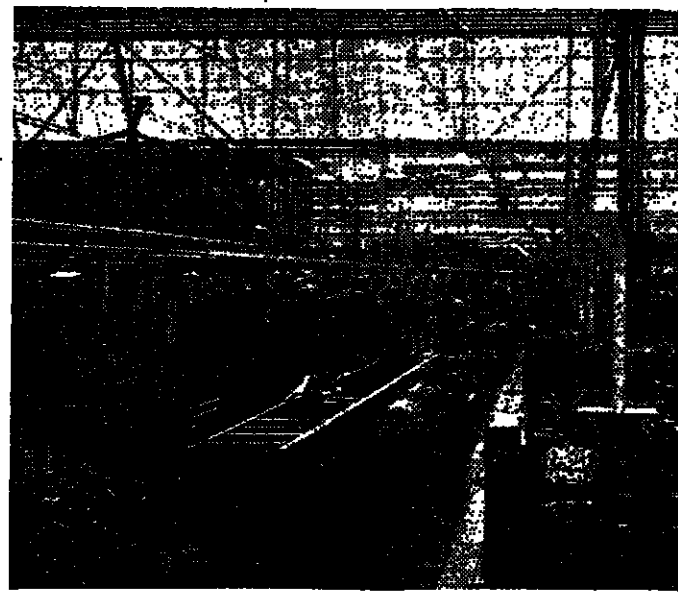
In the same way as the boom in the Spanish economy took place after overcoming isolationism and with the departure from the so-called economic and political autarchy at the beginning of the sixties, the start of a wider process of incorporation into Western institutions taking place in only a quantitative new stage of growth on a quite different and stronger base. More active competition has taken place in the production system. This becomes evident in the evolution of the relative national markets, introduction of new management techniques, attraction of foreign investments, among other factors, will help very effectively to maintain the high rates of growth and to start a new process of agrarian production and the development within "new frontiers" more in accordance with the Western institutional framework.



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SPAIN IV

Foreign links expand

IN THE TWO YEARS since the death of General Franco, Spaniards have had ample problems to keep them occupied at home. Outside the ranks of the professionals, the amount of thinking that has gone into problems of foreign policy has been limited. So although the broad outlines of the kind of new democratic Spain will aspire to in the world are visible, they may be subject to substantial revision in the next year or so.

Even on the major initiative that Spain has taken in foreign policy — the application last July to join the European Economic Community — the amount of hard thinking that has been done on the implications of the EEC, backed by all parties, is also supported, and indeed taken for granted, by most of those Spaniards who have any views on the matter.

Primarily, Spanish entry is desired on political grounds, but even these are to a substantial extent psychological. After decades of Francoist isolationism, saturated with memories of the long-dead glories of the Spanish past, Spaniards want to join in a common European destiny, and they also want to consolidate the democratisation that has been achieved by joining the European democratic club. There are other concrete aspects to this—for instance the feeling that so many decisions which affect Spain are made in Brussels that Spain needs a voice there—but essentially in political terms, the Spanish application expresses a wish to break with the past and come out of the cold.

In economic terms as well, joining the EEC tends to be argued for in terms of very general concepts—the need for Spain, if it wants to be a fully modern industrial country, to learn to live without Francoist dirigisme and protectionism, to stand up to the cold winds of competition.

When the start of negotiations forces Spaniards to think more precisely about the implications of membership, it is quite likely many more people will begin to doubt whether Spanish industry, for so long used to high tariffs, will be able to adjust itself sufficiently to face the full blast of EEC competition, even given the eight year transition period which is talked of by Spanish officials. This is especially likely to happen, if as seems likely, Spain finds itself facing tough negotiating positions, particularly over economic issues, and if groups inside various member countries display outright opposition to its application.

For although the governments of the Nine are most apprehensive about the prospect of rebuffing—and perhaps jeopardising—the fledgling democracy, the prospect of Spanish entry threatens important interests of certain members. What is worse, it poses in unavoidable terms certain fundamental problems of the Community on which the Nine themselves are badly split.

The single most important problem, of course, is that of Mediterranean farm products, of which Spain is a major, and low-cost, producer. Powerful farming lobbies in France and Italy—whose farmers would be severely threatened by Spanish imports—would require aid to protect Mediterranean products as a precondition of enlargement. But the cost of extending even the existing Common Agricultural Policy to Spain would be exorbitant, even without such new aid. It remains uncertain whether the Nine are

capable of devising any compromise over agricultural policy which would accommodate both France and Italy and the other members.

Spanish entry also poses the problem of regional policy, as the extension of the present regional policy to Spain would again be prohibitively expensive. Again, the extension of the Community from nine to 12 members will bring up the question of decision making in the Council of Ministers, and also that of language, and beyond such prickly questions, there is also the more fundamental prospect that in enlargement, the Community would move much further in the direction of a looser free trade area, dominated by its more powerful members, a prospect which alarms the smaller countries among the Nine.

Democracy

If, as seems likely, Spain's new democracy continues to consolidate itself in the next few years, current inhibitions among the Nine about rebuffing Spain may become less powerful. Thus, particularly as the Spaniards have set their face against any kind of half-way membership, the possibility that Spain may not actually join the EEC should by no means be discounted.

Spain's desire to come out of the cold is much less apparent when it comes to the question of NATO. Though NATO as such has not taken a view, there is a fair consensus in the organisation that it is important for Spain to be a member, given its strategic importance for the Mediterranean and Atlantic. The United States, in particular, was very active up to about 18 months ago in promoting the idea of Spanish membership, but has now taken a much lower profile, on the grounds that any apparent pressure could be counter-productive, and that if Spain joins it must do so of its own free will, with the backing of a certain national consensus.

The Government of the Union of the Democratic Centre itself generally supports the idea of NATO membership, but has no intention of acting on its own in the matter, and has made it abundantly clear that the issue must be fully debated by the Spanish Parliament. The problem is that not only the Communists, but the Socialist Workers Party under Sr. Felipe Gonzalez, are opposed. While the Communists have expressed willingness to see the United States retain its bases in Spain, the Socialists have traditionally opposed this—though recently Sr. Gonzalez has suggested that the party would accept the status quo for the time being, and defer its objections until the agreement with the U.S. has to be renegotiated in 1981.

The opposition of the Left-wing parties to joining Nato reflects a desire to avoid entanglement in the struggles between the power blocks and

and also ment to return i unlikely. Despite various rumours, any early lifting of the Spanish blockade also appears unlikely.

One legacy of Spain's own colonial past also continues to hamper the present Government—the problem of the Western Sahara from which Spain made a somewhat ungraceful exit by signed two years ago. There are fears that what was effectively become a conflict between Algeria and Morocco might end with one of them dominant in the Maghreb. Algeria's domination is a particularly worrying prospect in view of the terrorist activities of the Algerian-backed Movement for the Self-Determination and Liberation of the Canary Islands, marginal as this is to the real aspirations for autonomy of the islands.

There are also fears that the Polisario—having swelled to pick up the Sahara populations of a number of states in the area, may in fact become the source of a semi-permanent instability, in an area where Spain would find it rather too close for comfort.

The Socialists have in fact come out in support of the Polisario, and loudly denounced the Madrid accords. This stance might be embarrassing to them if they actually came to power. But this line the NATO issue, provides the Socialists with room to disagree with the Government—which, committed as they are to collaboration on domestic policy, they badly need.

David Habakkuk

Trading improves

THIS YEAR, following three years of massive deficits caused largely by the rise in oil prices and its effects both in Spain and in the world economy, Spain's balance of payments position is improving substantially. In the first ten months of this year, with the volume of imports hardly rising, their value in dollars was up 5.5 per cent. The dollar value of exports was up 21.8 per cent. With tourism having shown a substantial recovery this year, so that net earnings are expected to be of the order of \$3.25bn., Spain's current account deficit for 1977 is expected to be around \$3.1bn., as compared to \$4.25bn. last year.

Behind this better balance of trade performance lies a modest revival in world trade, and in particular the 20 per cent devaluation of the peseta in July, in the face of continued depression in domestic demand. With a continued revival in world trade expected next year, the Government is hoping that it may be able to reduce the current account deficit to under \$2.5bn., which would present no insuperable financing problems.

This deficit could however go much higher, particularly should the Government's hopes for a reduction of inflation not be realised. And in any case deficits of this order would act as a very serious brake on Spain's growth potential in coming years, as the expansion of domestic demand would automatically tend to increase them to unmanageable levels.

The biggest single factor behind this new constraint to Spain's growth potential, of course, is the country's failure to adjust to the rise in energy prices which began in 1973. In 1974, the value of energy imports in pesetas was Ptas. 225.5bn., as against Ptas. 72.97bn. the year before, a 209 per cent. rise. Worse still, however, there has been no attempt to cut back on energy imports since. Last year, they grew, in pesetas, by 42 per cent — and in real terms Spain's energy consumption was up 12.5 per cent. This year, they have so far held steady in dollar terms, which in real terms represents a slight decline. At the same time, the failure to restrain the inflation set off largely by this initial rise in energy costs has naturally tended to increase other imports, as well as to depress exports.

Thus there are hopes of increasing exports to Latin America, which last year took 7.2 per cent. of Spanish exports. After a period when, due to balance of payments difficulties among countries in the area the growth of internal trade in the region, Spain's market share fell, it has now recuperated its position. Last year, it came close to eliminating the traditional deficit with countries of the area. Spain is also hoping at least to some extent to remedy its failure to secure any share of

in some of Spain's markets there is clear potential for improving the balance of trade, the kind of export bonanza this would imply hardly looks likely.

By far the most important of Spain's trading partners is the European Economic Community, which last year was the source of 33.1 per cent. of Spain's imports — a proportion which has declined somewhat over the past few years — and took 48.4 per cent. of Spain's exports. This year and last have in fact seen a decrease in Spain's deficit with the EEC — last year, at Ptas 117m., it was 7.8 per cent. down on the year before. Spain's imports from the EEC, being to a large extent capital goods and intermediate goods, have naturally been depressed, while her exports, which are largely of food products and durable consumer goods, have been buoyant.

However, some of the improvement of Spain's balance of trade with the EEC could disappear if a more buoyant Spanish economy once again started importing capital and intermediate goods on a larger scale. There was also some slight improvement last year in U.S. trade balance with the U.S., which is an important trading partner, though its share in both exports and imports has been decreasing.

Meanwhile, there is one source of discord between the EEC and Spain in the question of the renegotiation of the 1970 trade agreement, which officially runs out at the end of the year. While the Europeans want a proper renegotiation, with further tariff reductions, the Spaniards would in practice prefer to let the accord just remain in force as it is for the time being. They are unenthusiastic about renegotiation since it gives them more concessions on agricultural products; and are also afraid that it might delay negotiations on their entry to the EEC.

Though Spain's trade remains predominantly with OECD countries—which took 69 per cent. of its exports last year—its exports to non-OECD countries have been increasing substantially. In various developing areas of the world Spain sees a potential for exporting the kind of not very sophisticated capital equipment which its industry is well able to provide.

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Banking in urgent need of reform

THE PROGRESSIVELY obsolete style of dirigisme which the Spanish banks played a central part. Committed as it is to the liberalisation of the economy, the present Government has set about the task of bringing control on the banking system. A decree to admit foreign banks has already been passed. Interest rates are being rationalised. The banking system is being brought deeper into Spain's economy, and because of the country's economic crisis, such distortions as they can only be seen in the future.

Among the distortions caused by the bank investments, the last investment of 2 per cent of commercial banks was controlled by the State. For industrial banks, the proportion was 18 per cent. For the cajas de ahorros, it was 30 per cent. For deposits in the Spanish banking system—the percentage was 69 per cent.

State-directed investment of the banks, and 43 per cent of the 69 per cent of state-controlled funds, were directed to public and heavy industry, in the enterprises of state-controlled Instituto de Industrias. Interest on these loans was 4.5 per cent. On industry, it was 6.9 per cent. On credits, rates which had been negative to a quite degree in real terms as in Spain spiralled up.

This deluge of cheap money for heavy industry and public utilities had a clear raison d'être when the groundwork for Spanish industrialisation was being laid, but this period is now long gone, and with it the justification for preferential treatment for these sectors. Furthermore, it has tended to produce a large number of companies with very high debt gearing—one of the reasons they are so vulnerable in the current credit squeeze. It has made it difficult to calculate how much subsidy different sectors are getting, and though it has encouraged investment, it has also encouraged the use of capital-intensive technologies often inappropriate in a country with unemployment problems as severe as Spain's.

Worse still, the private sector, and smaller companies, ended up paying more for loans as the banks recouped their losses on the cheap finance provided on these so-called "privileged circuits"; the theoretically tight controls on Spanish interest rates in general proved unsustainable outside these circuits.

Even now that interest rates on loans and deposits for periods above a year have been liberalised, as they were last July, it is hard to know how far controls actually kept down interest rates. To compete for deposits, banks paid illegal "extrapagos." They passed on the cost by making creditors hold compensating balances, for example in a deposit account paying 0.5 per cent interest.

Whatever influence they had on interest rates, however, the effect of the controls was to produce a market which was very untransparent. Access to money, and the price you paid for it, depended on who you were, how much you were borrowing, and what your bargaining position was—a system which naturally tended to reinforce the credit system's general bias in favour of large enterprises.

Although interest rates on loans and deposits for periods over a year have been lifted, a very large proportion of Spanish bank business is done on periods shorter than this, where regulation and its associated distortions still prevail, and it is uncertain how soon the Government will move to further liberalisation.

The most difficult reduction, however, is that of control of investments. It is made particularly difficult by the fact that the current economic crisis is having its most drastic impact on sectors which have long benefited from cheap State credit, such as shipbuilding, the steel industry and the capital goods sector. Thus the Government has settled for a very gradual reduction of controls.

For the commercial banks, the percentage of controlled credit is to be reduced from January 1 next by a quarter of a percentage point every two months, until it reaches 21 per cent. For the savings banks there has been an immediate reduction of 6 per cent, to be followed by a similar process of gradual reduction, which is scheduled to take the volume of controlled investment down to 35 per cent by 1983. At the same time interest rates on these credits have been raised, though by hardly more than to keep them in line with the general rapid rise in interest rates over the past few months.

A further measure of liberalisation which is expected fairly shortly is the admission to Spain of more foreign banks. This move, long opposed by Spanish banks, has become inevitable because of Spain's desired entry into the EEC, because of the expansion abroad of Spanish banks, and because of the very large loans both public and private sectors are now seeking in foreign markets. Spanish banks have come to accept it, although in many cases still very reluctantly. The anticipated capital requirement to open a branch is the same as that for Spanish banks—Ptas. 750m.—and it is expected that banks' peseta dealings will be limited, very likely to 20 per cent of deposits.

Salutary as the advent of foreign banks is, its effects are likely to be fairly limited. As their peseta activities will be limited, the competition they provide even in the peseta financing of multinationals and large companies will be quite restricted. Greater impact will perhaps be felt in the foreign currency financing of such companies where foreign banks are competing already. The competitiveness of foreign currency markets should be improved, as should that of Spain's inadequate interbank market, where foreign banks will have to look for pesetas.

Severer competition for the commercial banks is threatened by the permission granted to the cajas de ahorro in July to enter the discount markets, and also to go into foreign operations. The cajas have in fact maintained a steadily higher rate of growth than the banks over the past few years—in the three years 1974 to 1978 their deposits grew (in money terms) 76 per cent, against 68 per cent for the commercial banks.

Even in money terms the growth of the Spanish commercial and industrial banks has fallen over the past few years. In the year to October last, for instance, it was 18.8 per cent compared with 20.1 per cent in the corresponding 12 months, which, given increasing inflation, represents a passage from a real rise to a considerable real fall. However, the position of the seven big banks which dominate the Spanish banking system remains quite secure; despite the effect of the crisis on their very substantial industrial holdings—Spanish banks are estimated to own over 40 per cent of the

country's industry—they say they expect profits this year not much lower than last.

However, a number of the smaller banks are not so fortunate, and a few are already reported to be under the supervision of the Bank of Spain. To attract depositors they have paid higher rates than the large banks, and to finance these they have gone further into speculative investment. There is a real risk that in the coming year some such banks may fold. Some bankers in the large banks would see this as no less than justice, but others are worried about the possible effects on foreign confidence in the building, the steel industry and Spanish banking system and indeed possible domino effects inside that system.

The Spanish banking giants are going to be cautious about rescuing banks in difficulties, although further mergers can be envisaged along the lines of the recent merger with Banco Iberio which took Banco Central to the head of the deposits league—a situation which the displaced head, Banco Espanol de Credito, is believed anxious to rectify.

Looking again beyond the immediate crisis, there are other reforms beside Government de control which are needed if the Spanish financial sector is to be an adequate supplier of longer term capital to an industrial sector which will, it can be hoped, have been set back on the road of steady growth. Among them is the continued development of the stock exchange. From the early 1960s onwards there was a substantial development both in trading volume and in techniques—particularly notable being the development of unit trusts.

However, the complete collapse of the stock market over the past years has brought its modernisation to something of a standstill, and in Madrid, Barcelona and Bilbao, the country's three main stock exchanges, still suffer from a number of severe limitations. Prominent among these are the relatively small number of stocks actively traded, and the heavy dominance in them of a few sectors and predominantly large companies, producing among other things an easily manipulated market. Another traditional problem has been the poor information provided by companies, which has contributed to making the stock exchange a place more for serious investors than for serious speculators. But—particularly now that tax evasion is being made more difficult—companies are publishing more and more frequent information on their activities.

There is also much to be done in the banks. Traditionally they have concentrated their lending on short-term loans, particularly on six-month roll-over loans, and have, indeed, lacked the capacity to make the kind of company analyses required for longer term lending. The depth of the problems of so many Spanish companies provides a sharp incentive to modernise their analytical tools, which, in fact, they are doing. How fast such vital transformations proceed, however, will depend on how fast a basic transformation in the kind of men running the Spanish banking system continues.

Throughout the banks, old men whose expertise was more in negotiating the murky corridors of power under General Franco than in the techniques of modern banking are being replaced by younger men. However, even where these have effective control it will take some time for them to make a full impact on structures ossified by the years of easy profits and low competition.

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Earnings	22.17	18.79	+ 18.0
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Deposits	2617.11	2124.71	+ 23.2
Loans and Accounts	2586.09	2059.35	+ 25.6
Number of Employees	8,791	8,564	+ 2.6
Shareholders	103,797	97,859	+ 6.0
Branches	392	312	+ 25.6

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Trading

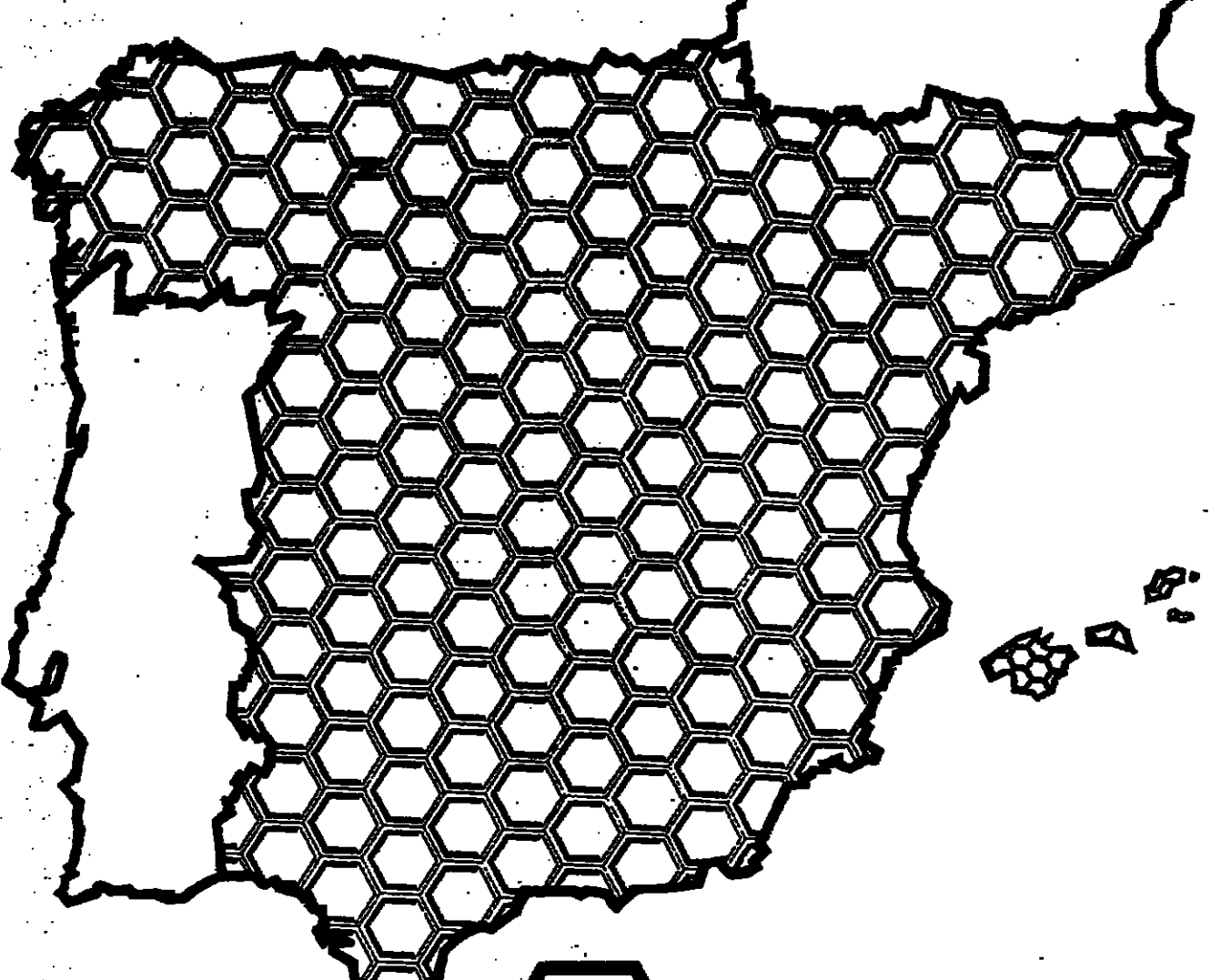

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the vast expansion in OFEC imports in the past few years. However, cautious optimism though there may be on expanding Spanish exports in a large number of markets, a large-scale transfer of resources into exporting is a different matter. Thus if Spanish growth prospects are not to be severely limited, a determined effort to reduce imports in certain sectors is a high priority. This is not a matter of imposing higher tariffs—there is a wide consensus that Spanish tariffs badly need to come down. But for example, despite the high proportion of Spain's labour force employed in agriculture, the country actually has a deficit on agricultural products. Part of this at least is due to structural problems, like a livestock sector heavily dependent on imported animal feed, which something could be done to remedy.

Most important of all, however, is the reduction of energy imports. The energy plan on which the Government has been working envisages a large expansion of nuclear energy—though the estimate of the number of nuclear power stations needed has been scaled down from earlier projections based on quite unrealistic anticipations of economic growth. This programme, however, will not affect the situation very much for some time. In the meantime, the Government plans a slow increase in oil prices to more realistic levels. This will have a beneficial effect on the payments balance—but the need to avoid excessive adjustment problems in Spain's highly depressed industry will still limit the speed at which it can be done.

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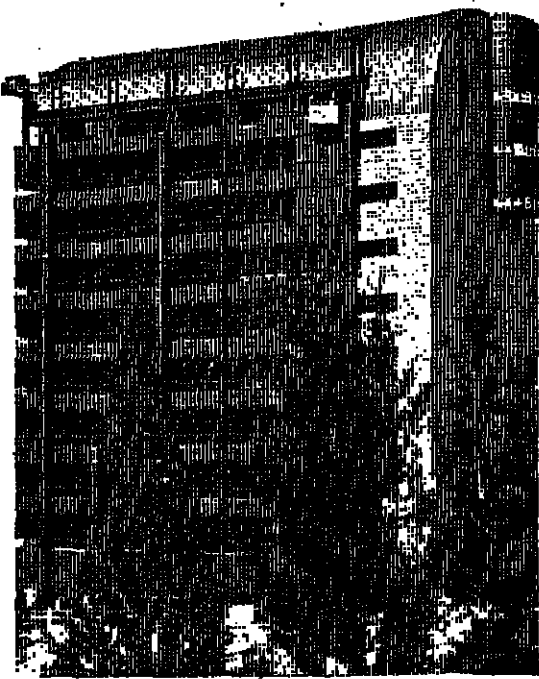


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SPAIN VI

Test for the unions

THE BEHAVIOUR OF organised labour in Spain will be of crucial importance in the coming months. The trades unions are still a largely unknown and untried quantity; but they have now become principal actors, alongside the employers, in the implementation of the social contract agreement signed by both the government and the opposition Communist and Socialist Parties in October. The strength, or weakness, of organised labour will determine the success of government policy in keeping wages within the 22 per cent ceiling for 1978, and at the same time will influence the development of consensus politics among the major party leaders initiated by the "Moncloa Pact."

The trades unions were only legalised in April, just prior to the elections, although the more active had existed in secret often within the framework of the old Franquist "sindicato vertical" which was only nominally concerned with labour and primarily used as a means of patronage and support for the regime. The sindicato has faded into the background, as indeed it had to; but a residual element lies in the Association of Social and Professional Services (AISS), little more than a glorified pension fund.

Having emerged so recently from secrecy, union membership is small and hard to gauge. Of the 13.2m workforce, it is unlikely that more than 2.4m, or some 20 per cent, are unionised at the moment; and the figure could be as low as 1.6 per cent. Claims of numbers by individual unions are circumspect both because they have an interest in exaggerating their size and because workers are hedging their bets in some instances by holding two union cards. For example one study in a large manufacturing operation in the engineering industry concluded that between 25 per cent and 30 per cent of the unionised workforce held two cards. The study was management sponsored but it is nevertheless indicative.

By far the largest and best organised union is the Communist-controlled Confederation of Workers' Commissions (CCOO) which claims some 1.2m members. The strength

of CCOO was demonstrated last month by the results of preliminary elections of union representatives in some of Spain's largest companies, especially in the engineering sector. CCOO delegates obtained approximately 60 per cent of the votes in 169 companies employing 342,000 people. These results showed the nearest organised rivals holding only 13 per cent of the votes. This was held by the General Workers Union (UGT) followed by the only other union of size, the Syndical Workers Union (USO) with 6 per cent. These figures are based on figures supplied by CCOO. They have been contested, yet the general trend of support for CCOO seems clear.

In many respects the most important unanswered question about the unions is the extent to which they depend upon, and are controlled by, the political parties. CCOO likes to disclaim any direct control from the Communist Party, yet its leader, Marcelino Camacho is on the party central committee and it behaves as though directed by the party.

Discipline

So far it has done nothing to go against the party. This has given it a discipline which none of the others possess and employers make no bones about saying CCOO is the easiest to deal with. UGT the second largest, is connected to the Socialist Party of St. Felipe Gonzalez; but there appears to be no link between the two. UGT values its independence and ironically at present it is acting more radically despite a Socialist and non-Communist philosophy than CCOO. A third union, USO, started off under Franco to look like the Italian Christian Democrat orientated CISL but it is now split, one group seeking a merger with UGT and the majority of the 400,000 odd members preferring independence in a loose understanding with CCOO. The only other grouping of note, the anarchist CNT, holds probably no more than 3 per cent of total membership, but is an important element in shop floor radicalism.

But while the main groupings may wish to appear independent, they are nevertheless

being used by the political parties to extend their influence. This had led to bitter rivalry between CCOO and UGT in particular, much in evidence throughout November during industrial action by Spain's 11,000 civil aviation workers. This rivalry, as the two main Left-wing parties vie for the working class vote, is liable to increase over the forthcoming union elections. What is significantly absent is a moderate Roman Catholic trades union representing the interests of the Right or Centre, like the CISL in Italy.

Because the political parties of the Left have sought to control the unions a certain discipline has been created between the union leaderships and the rank and file, allowing the appearance of independent representatives. In the preliminary elections already referred to, independent candidates picked up over 14 per cent of the vote — the second largest slice. The civil aviation strikes in November were largely organised by these independents. There have also been a number of instances of strikes being initiated without the formal support of the UGT or CCOO leadership, yet in which UGT and CCOO members were involved. The loose hold of the leadership on the base is further demonstrated by the number of illegal strikes over double that of the legal strikes. In September, there were 39 legal and 92 illegal strikes, for instance.

The unevolved nature of the unions, their financial weakness (UGT is borrowing \$3.5m abroad) the overall lack of discipline combined with the rivalry over power (there is no mechanism yet for confederating the various unions) does not make for a cohesive movement. This cohesiveness is further threatened by the precarious employment situation. Officially, unemployment, almost 600,000 in September will rise to some 750,000 in 1978. Officially it is almost certainly up to the 1m mark and is perhaps even higher. So far the government, with no experience of dealing with organised labour, has tended to underestimate its strength, but it is worth mentioning that strikers have climbed down in a 19 days pub-

lic works strike and called off a hotel strike at the last minute at the end of November.

There are now three main issues affecting the industrial relations climate — wage restraint, labour amnesty and flexibility of employment — all of which are to some degree inter-connected. The Government is trying to enforce a 22 per cent wage ceiling for 1978 (to be reviewed in July only if the rate of inflation has failed to go below 25 per cent.) It is also seeking to enforce the principle of retroactivity, claiming that all wage claims initiated prior to the signing of the Moncloa Pact in October must come under the ceiling; an important issue since a number of claims were shelved at the time of the June elections when workers were given the nod that after the elections their demands would be met. The sole sanction on employers for gains above 22 per cent or 25 per cent in 1977 is withdrawal of Government finance or tax facilities. Employers are permitted to go above the norm if they reduce their labour force by 5 per cent.

Most employers recognise that the latter policy is unrealistic. In the present climate no one could sack 5 per cent of the workforce without provoking a strike. The level of employment is the most sensitive issue of all. Franco's guaranteeing of job security to

workers was his means of ing the allegiance of the working class. However, at the end of recession this puts tremendous strains on a country's resources. Traditionally only means of firing (not dismissing labour) came for political reasons, declaring a "crisis" or other flexibility, and so other than using the workforce and using to cope with increases so as to avoid the need when demand falls.

The employers, for are desperately looking Government for a hand. So far this has forthcoming and it will be largely left to devices in dealing with trial unrest. Because Communist and the have put their pens to ing the wage guidelines unions are likely to support in pressing ment and labour issues. For both man and labour it threatens an awkward testing Management with a few tions still does not understand that labour be dealt with by anything than Franquist methods unions for their par anxious to demonstrate strength to prevent them being dubbed as weak.

Industry

FOR SPANISH industry, next year holds out small hope of recovery from the recession it has suffered for the past three years. Even on the Government's projections, widely regarded as optimistic, output will be practically stagnant and investment continue to fall. During the past weeks, an increasing number of major companies have begun to have problems paying not only their suppliers, but also their wage and social security bills. Next year could produce several serious bankruptcies, which in turn could have ripple effects throughout Spanish industry.

Ironically, those sectors in deepest trouble—shipbuilding, steel and capital goods—are among those which were the favoured children of Franco's dirigiste economy. But though their problems have been exacerbated by two legacies of the Franco era—very high gearing due to years of cheap and ample State-directed credit, and the difficulty of shedding labour—they fundamentally reflect the problems facing steel and shipbuilding everywhere, and the collapse of investment which has killed demand for capital goods.

Problems which might otherwise have been, relatively speaking, manageable have however been exacerbated by the virtual collapse of Government control over the economy,

which began even before Franco's death. No serious attempt was made to check the steady increase in money wages triggered by the increase in oil prices, and an expansionary monetary policy in 1973. Inflation climbed steadily to an anticipated 28 per cent this year; however, prices could not absorb the full impact of wage rises and—also as a result of social security payments increases—the share of net profits in national income fell from 39.7 per cent in 1974 to 35.8 per cent in 1976.

Investment

The rapidity of this decrease has depressed investment, and is beginning to cause financial troubles for some companies. A more serious threat, however, is the 17 per cent credit guideline which the Government set when, in conjunction with the opposition parties, it finally Sagunto, has been having decided on measures to stabilise the economy last October. Stage I of the Sagunto mill has been completed, and investment on the subsequent stages held up. There seems a considerable likelihood that in this case the Government will waive the new self-denying ordinance and move in should the guideline be maintained, will be running a long way behind wage growth.

A substantial number of Spanish companies have already had recourse to the Euro-markets, and more are expected to do so next year. Unfortunately the resulting inflow of funds means the Government needs to further tighten credits. Small companies, without access to the Euro-markets, will suffer.

Meanwhile, in accordance with the determination of the technocrats now running the Spanish economy to make it political consequences of major closures would very likely free market, the Industry Ministry is determined that the state-controlled Instituto Nacional de Industria is not country. At the moment the going to pick up lame ducks, as Industry Ministry has no clear general it does not want to bale out Babcock and Wilcox funds in trouble. Recent re- Government may be pushed into taking not only an active role in restructuring, but also largest capital goods producer; and, it is not unlikely, seeing its credit guidelines go by the board.

The very pressure of wages on profits which has caused such severe problems for investment and thus the capital goods industry has been responsible for those areas of buoyancy left in sight. Plans are being in the Spanish economy, which

worked on in the Industry Ministry and the INI to diversify production, particularly towards liquefied gas carriers and container ships, and to try to shift some of the workforce into other activities using similar skills. One of the key problems, however, remains the difficulty of reducing over-manning. The INI is optimistically hoping to cut the labour force by 10-15 per cent by the end of next year—but in any case the actual level of over-manning is some 30 per cent.

In contrast to shipbuilding, the essential problems of the steel and capital goods sectors are cyclical rather than structural. The two largest steel producers, the INI-controlled Espidosa and Altos Hornos de Vizcaya, are both in trouble, and the latter's subsidiary, Altos Hornos del Mediterraneo, which has been constructing the vast integrated steel complex at Sagunto, has been having trouble paying its wage bills. The Sagunto mill has been completed, and investment on the subsequent stages held up. There seems a considerable likelihood that in this case the Government will waive the new self-denying ordinance and move in should the guideline be maintained, will be running a long way behind wage growth.

Even if INI maintains its self-denying ordinance about take-overs in other fields, the State may well find it difficult to avoid more direct intervention than it would like. Babcock and Wilcox Espanola is likely to be the first on a long line of companies in other sectors which come knocking on its door. Not only is there no long-term reason why these sectors need to be contracted, but the Spanish economy to make it political consequences of major closures would very likely free market, the Industry Ministry is determined that the state-controlled Instituto Nacional de Industria is not country. At the moment the going to pick up lame ducks, as Industry Ministry has no clear general it does not want to bale out Babcock and Wilcox funds in trouble. Recent re- Government may be pushed into taking not only an active role in restructuring, but also largest capital goods producer; and, it is not unlikely, seeing its credit guidelines go by the board.

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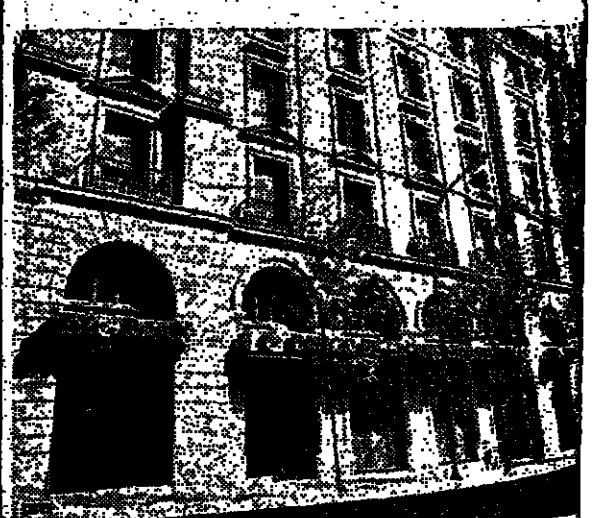
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SPAIN VII

Farmers in disarray

SPANISH agriculture in the 1976 figures. Production of sick man of the country's ailing lemons increased by 28 per cent and as such has been cent to 298,000 tons; tomatoes in a state of perpetual crisis only rose a fraction and vital now for some years. Farmers cereals for home consumption are among the most disgruntled like corn, by only 12 per cent. members of the labour force. To 1,736,000 tons—a third of and they have been hit harder Spain's needs. Freak frosts in than ever this year by rapid April and June destroyed inflation; they find it more difficult to obtain credit. Partly because of the harshest unusually cold weather in the but mainly due to Spain's spring ruined the harvest in endemic problem that it does general and imports continue to not produce enough for its own rise far more swiftly than ex- needs the trade deficit in agri- ports. For Spanish farmers, cultural products stood at 1977 has been the year of a Ptas99.9bn. at the end of Sep- series of price "wars" and tember: an increase of 68 per cent there are many more on the cent on the same period in 1976. While exports increased this year by 28 per cent. im- in 1976 rose by 17 per cent. to Corn and meat continue to be Ptas.1,625bn. but taking into the main imports. Last year account rapid inflation since Ptas.30bn. worth of corn was 1970 this figure in real terms imported—13 per cent of the was Ptas.563bn.; an increase of just under one per cent. on This agricultural deficit rep- 1975. (Since 1964 the average increase has been 3 per cent.) trade deficit and when this is borne in mind along with the fact that 20 per cent of labour force produce about 9 per cent of GNP it will be seen how far and how quickly Spain has moved away from a predominantly agricultural country.

Exports 60 per cent. of which go to the EEC, totalled Ptas.137.26bn. in 1976—23 per cent. of the total amount of exports—compared to 55 per cent. 15 years ago. While industrial growth has gone up in leaps and bounds over the years, agriculture has become stagnant and consequently the enormous gap, more than in any other Western European country apart from neighbouring Portugal and perhaps Greece, between rural and urban areas, has widened. This problem was highlighted last March when 30,000 tractors took to the roads to protest at the standard of living in the countryside, the right to form trade unions and better prices for products.

So great has been the migration from villages to towns—over 2m. people have left for work abroad or in towns since 1960 when 41 per cent. of the active population worked on the land—that it is now estimated that the average age of those left is 50 and as a result Spain in ten years time will face a severe labour shortage in the fields.

Unemployment among farm labourers in areas like Andalu-

cia is now half the national total whereas in the richer agricultural regions like the Levante (citrus fruits) there is generally a shortage of labour in the fields because of stiff competition from industry around Valencia.

The National Institute of Statistics reported in May that 31 per cent. of rural labourers compared to 5 per cent. elsewhere do not have running water and the average daily wage for a farm labourer in 1976 was Ptas.438.

The legal minimum is now Ptas.390. The government is caught between keeping food prices down and trying to satisfy farmers' demands for an adequate level of profitability. "We have our hands tied," said an Agriculture Ministry official. But without the availability of long term credit which banks have always been loathe to give it is hard to envisage how agricultural production can be increased profitably. Credit from private and official banks totalled Ptas.48.6m. in 1976, a 30 per cent. increase on 1975, but most of it in short term loans. State subsidies totalled Ptas.12m., a drop of 11 per cent. on 1976. Large landowners on the latifundia in Andalusia, who in the main benefit from credit and subsidies, often find it more profitable to put their money into industry than to plough back any profits into their estates.

Coupled with the need for investment is the need to continue consolidating small holdings many of which, worked by single families, supply little more than the producers' own needs. The fishing sector is even worse off; damaged by the EEC's 200 mile limits and the Polisario fighting for independence in the former Spanish colony of the Sahara now under

Morocco and Mauritania. The Canary Islands' fishing fleet has been severely affected by no longer being able to use its traditional ground off the western Sahara without the risk of Polisario attack. The effects of full membership of the EEC on Spain's agriculture should provide a much needed boost, for there is no doubt that the future for exports lies in the EEC. The 60 per cent. of produce exported to the EEC now could increase quite considerably. Spanish officials feel that the EEC unfairly discriminates against Spain under its present commercial relationship in favour of countries like Israel. In the matter of citrus fruits, Spain estimates that if it had the same treaty as Israel 65m. could have been saved in the citrus industry last year and 122m. with full membership. Officials are aware that negotiations over agriculture, given the French and Italian opposition, will be tough, for Spain could flood the market once the protectionist measures adopted by member countries against non-members are dropped. The Government's economic pact with the opposition offers little which will radically change the situation, other than promising more democratic rights. The parties' apparent lack of concern over agricultural problems is reflected in the scanty membership among agricultural labourers of either the socialist or communist trade unions. Farmers set a precedent in November by staging a sit-in outside the Prime Minister's official residence against the pact. It was a pertinent reminder that agriculture will remain a thorn in the side of any future Government.

Charles Dawson

Industry CONTINUED FROM PREVIOUS PAGE

are largely in consumer goods sectors. Production of some household electrical products, for instance, has held up well, as has production in food industries, and of certain luxury products. However, even if consumer demand holds up well next year, the credit squeeze is likely to have unfortunate effects on any consumer goods sectors where hire purchase is important.

One key element in the general rethinking, now under way in Spanish industrial policy is, of course, the future of the INI. Originally devised in 1941 largely to promote the development of basic industry, it now has direct investment in concerns accounting for over 10 per cent. of Spanish gross industrial product, and controls fixed assets of over Ptas.900,000.

Opinions on its performance vary a great deal. Some see it as representing the dead hand of the State, pointing, for example, to the fact that of 33 companies in Spain which lost over Ptas.100m., 15 belonged to the INI. Others feel that the INI's management varies in quality more or less as does that in Spanish industry as a whole, and that the size of its losses is to a substantial extent to be accounted for by its having been made by the Government to pick up lame ducks.

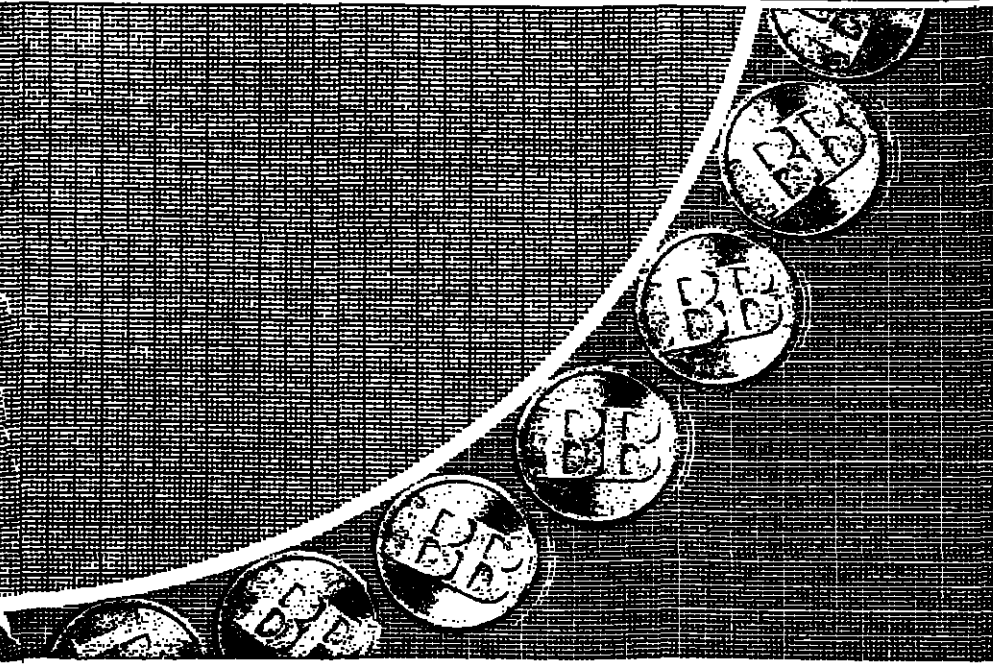
What is clear, however, is that the INI has not provided enough of the information needed for this kind of debate to be conducted at a more than anecdotal level. This situation is improving— which should greatly facilitate the public debate about private enterprise, and wants to the future of the INI likely in the course of the next year or Ministry. It is sensitive however, to complaints that it is not subject to democratic course continue to be active in the kind of basic industrial looking at Austrian-style

Problems

Two further very basic and long-term problems of Spanish industry in whose solution the INI sees itself as having a role to play are the development of exports, and the development of technology. Spanish exports now constitute only 8 per cent. of GNP—not much more than a third of the figure for developed European countries. Unless this percentage is increased, Spain's balance of payments problems are liable to set a limit to the growth potential of the Spanish economy. Linked with this problem is Spain's failure to provide much of its own technology, and the paucity of research and development in Spanish industry.

In addition to the debate over the future direction of the INI, another dispute is currently in progress over its control. Officially, it comes under the Industry Ministry, which, however, feels it lacks effective control, and is trying to make its control a reality. The INI, however, feels that the Industry Ministry represents the views of private enterprise, and wants to be directly under the Economy Ministry. It is sensitive however, to complaints that it is not subject to democratic course continue to be active in the kind of basic industrial looking at Austrian-style

D.H.

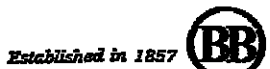


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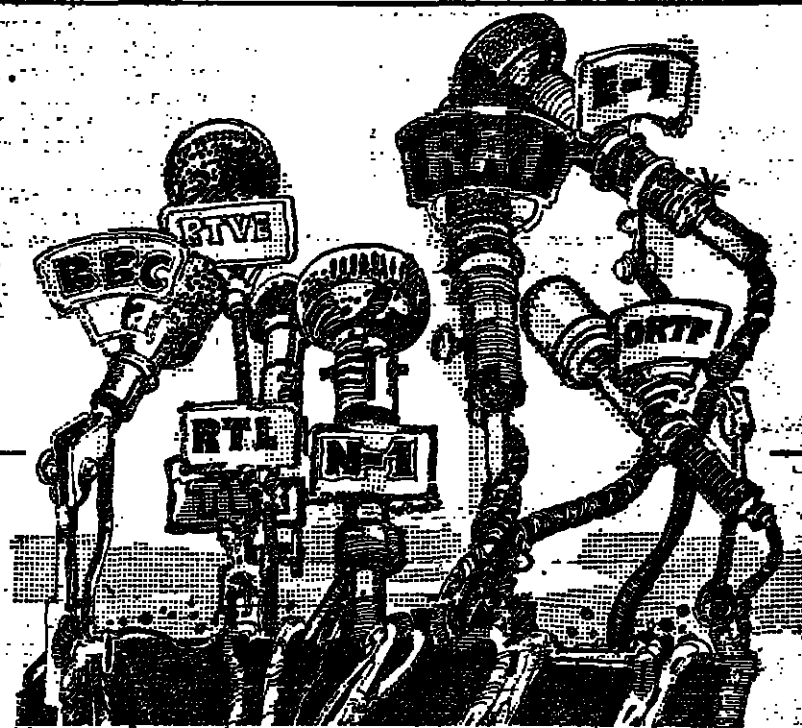
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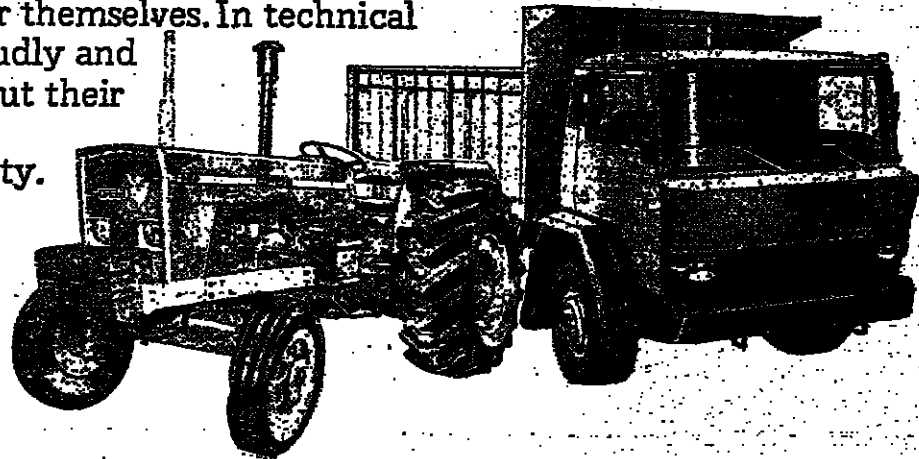


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Motor industry

LOOKING BACK through the files to the Barcelona Motor Show last spring, the bullish optimism of the manufacturers seems a little misplaced. The effects of the economic crisis had not really been felt and Spain still seemed the only country in Europe with a dynamic growth potential in car ownership. The manufacturers rubbed their hands over one statistic in particular. Car ownership per capita in Spain was only 150 per 1,000 half that of countries in the European Community; but despite this lag the Spanish public was displaying the continued kind of consumer demand enjoyed by Italy in the early 1960s.

Since the spring, however, recession has begun to develop, industrial production as a whole has been on the decline and credit has become very tight—especially since the summer. Although the saloon car sector has held up well so far, none of the manufacturers believe that the industry can avoid a bumpy and uncertain period in coming months.

Production and sales of industrial vehicles, particularly at the heavier end of the market, is already depressed. The change in the economic climate has therefore forced the industry to revise downwards, in some instances sharply, production and sales projections for the coming year.

The strength of demand for saloon cars has in many respects defied the logic of economic circumstances. In the first nine months of the year car sales were well above 1976 growth of 8 per cent. Demand since October has begun to slacken, particularly in the case of the local SEAT models. Even so, if the October sales of the five manufacturers were projected on a yearly basis annual sales would be some 4 per cent above the 588,000 figure for 1976. As it is total sales will be about 640,000.

is in a special position. SEAT is the most truly Spanish company in this sector which is dominated and controlled by multinational interests. Nevertheless SEAT is 36 per cent owned by Fiat of Turin (the remainder by Spanish banks and a 34 per cent INI stake). This year SEAT expects a 16 per cent drop in sales to about 247,000 units. Already it has accumulated stocks of 62,000 vehicles against a normal maximum stock of 45,000—equivalent to 30 days normal average sales. No other manufacturer is in such a position.

Indeed SEAT sales have been seriously hit, not merely by declining demand but also by increased competition from the other four — Fasa — Renault (Renault's Spanish subsidiary of which it owns 65 per cent), Citroen (45 per cent owned by the parent Citroen), Chrysler (98 per cent Chrysler Corporation) and Ford (99 per cent Ford).

Seven years ago SEAT enjoyed over 60 per cent of the local market. But this share has been gradually eroded so that by the time Ford began marketing its Fiesta last year it had dropped to below 50 per cent. This year as a result of the success of the Fiesta, a sustained drive by Renault, nibbling away of markets by Chrysler and Citroen plus a general customer preference away from SEAT's solid range of now well known models, this market share has declined even further and very sharply. In October for the first time Renault captured the major slice of the market (30.9 per cent against SEAT's 28.4 per cent). The trend has continued and even accentuated in the first half of November.

Thus in an increasingly competitive market SEAT is proving unable to sustain its position. The problem here is in the end not so much the state of the Spanish economy but the nature of the car industry in Spain itself. SEAT's original conception was to be a manufacturer using Fiat technology to service—and dominate—the highly protected local market. Because of economies of scale SEAT has also, with the agreement of Fiat, turned to exports and integrated certain parts of production with Turin. SEAT now exports roughly 20 per cent of production either as ckd units to Ireland, Portugal and Egypt or made up to the European market. This said SEAT is dependent upon a good working relationship with Fiat, has no proper dealer network outside Spain and has no real flexibility on the local production/export mix.

Purpose

The same applies to the other manufacturers although their export content is more limited: their main purpose in being in Spain is for the Spanish market. None of the manufacturers of saloon cars, however, can escape the problem of higher production costs, particularly pressure from wage demands. Both Chrysler and Ford, for instance, maintain that Spanish labour costs are now higher than the U.K. Moreover none can predict the impact on production resulting from wage negotiations for new labour contracts. These began this month. In the shadow of the Government's 22 per cent wage ceiling both sides anticipate hard bargaining which could last for months, with the real threat of prolonged industrial action.

The industrial vehicle sector has been much quicker to feel the squeeze. Several potential orders have been cancelled and the main producer, Enasa (66 per cent owned by INI) last month threatened its workforce with layoffs and short time due to a sharp fall off in sales. This sales decline has in turn aggravated its cash flow position forcing it to shop around the international banks for funds after the local banks had given it the cold shoulder. In the 12 ton range and above recession has been most noticeable. By September overall orders were 50 per cent below January levels.

Agreement

However, there is general agreement that since October a combination of increased motorizing costs coupled with the difficulty of obtaining hire purchase credit has had a significant impact. It is general practice for the manufacturers to have finance subsidiaries that act as hire purchase companies to back and promote sales. These account for as much as 60 per cent of all purchases. With a squeeze on the banks and short-term credit costing a minimum of 19 per cent to 20 per cent, these financial subsidiaries are finding that prospective purchasers cannot afford payment terms. With no short-term prospect of an easing of the credit squeeze projections for 1978 sales have been scaled down. For instance SEAT estimates a zero growth or near zero growth while Ford reckons that the original 10 per cent growth forecast will probably be halved.

The credit squeeze has also been felt further down the line. Some suppliers have been badly hit already, especially the smaller ones. Chrysler, for instance, has decided in cases of special hardship that it has no option but to assist. This is being done by reducing the supplier credit period from 90 days to 45 days or even shorter. Other companies are reportedly doing the same, to a greater or lesser degree. The case of the suppliers could pose an interesting test for the industry as a whole. Frequently one supplier deals with more than one manufacturer. At the moment the attitude of those with more cash on hand is "why should we help to keep our competitors in business?" Nevertheless it is recognised that it is in no one's long-term interest for suppliers to collapse and some concerted action by the manufacturers as a whole may be taken if the situation deteriorates.

Within this overall picture there are nevertheless important differences between the manufacturers. SEAT—the largest producer of saloon cars

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SECOND HALF profits of Martin the Newsagent moved ahead from £908,000 to £1,324,000, taking the total for the year ended October 2, 1977, up to a record £2,724,000—an increase of 36 per cent on the previous year.

As forecast at the time of the rights issue in October, and with Treasury consent, the dividend total is raised from 4.2888p to 6.6p net, with a final of 4.11p.

At the attributable level profits for the year emerge up from £1.5m. to £3.4m.—equal to earnings per 25p share of 42.1p (82.5p before extraordinary items).

In the first 9 weeks of the current year sales show an increase of 16 per cent, but these sales and to some extent profits have been affected by disruption of supplies through industrial action. Despite these problems the directors are confident of a further improvement in 1977-78.

The directors announce that they expect to spend at least £2.5m. during the year on expansion. Most will be used in the purchase of established stores, with the balance being used to fit out some 10 new stores and redevelop six existing branches.

During 1976-77 the number of branches rose by 29 to bring the total up to 458. In the current year to date one new store has been opened, six established stores purchased, and four sold or closed.

Extraordinary items comprise material profits and losses arising from sales of fixed assets less attributable tax. Losses arising from sales of fixed assets in the year under review are not regarded as material and, in accordance with current accounting practice, these have been adjusted in depreciation.

It has been decided to change the treatment of deferred tax so as to be in accordance with the provisional recommendation of the Accounting Standards Committee; the directors feel that the greater part of the potential liability for deferred tax will not become payable in the foreseeable future and consequently this reserve has been transferred to revenue reserves as prior year adjustments.

Mr. B. H. S. Martin is to relinquish the chairmanship on March 31, 1978, but will remain a director and has accepted the position of life president. He will be succeeded as chairman by Mr. J. E. H. Martin whose role as marketing director will be taken over by Mr. P. J. Martin, the present stores co-ordination director. Mr. R. G. Schweitzer continues as managing director.

1976-77	1975-76
Sales (excluding VAT)	2,900
Trading profit	2,825
Net interest receivable	22
Profit before tax	2,847
Taxation	344
Net profit	2,503
Extraordinary credits	1,750
Preference dividends	5
Attributable ordinary dividends	2,498
Ordinary dividends	387
Retained	2,111

Waddington improves to £2.3m.

REPORTING a 13 per cent rise in taxable profits from £2,030,000 to £2,320,000 for the 28 weeks to October 18, 1977, the directors of John Waddington say that even their lowest forecast for the second half will mean an improvement on last year's full time record total of £2,270,000.

This should be achieved even though business activity has declined in the past few months and the early part of 1978 is expected to be a lean period, they say.

In the current year all the packaging and printing companies have prospered and success in the greeting card field has continued but the games and puzzles companies both in the U.K. and in North America have been affected by severe competition in markets which are not expanding, the directors add. Sales for the first half moved ahead 23 per cent to £2,313m. (£1,873m.).

The net interim dividend is stepped up to 3p (2p) per 25p share, absorbing £310,841 (£103,144). At the time of the £1.3m. Rights issue in July the directors said Treasury consent had been received for a total payment for 1977-78 of 11.22p (£454,539).

Last July it was stated that several opportunities then available for further investment would require expenditure of some £3m. on capital assets over the next

Company	Page	Col.	Company	Page	Col.
AB Engineering	27	2	Management Agency	26	4
B & I Line	27	5	Mann Egerton	27	1
Caffyns	28	3	Martin Newsagent	26	1
Carr's Milling	26	8	May & Hassell	26	7
Cream (James)	28	2	NMC	28	1
Deansons (Holdings)	28	3	Rix (Oliver)	27	1
Firth (G. M.)	27	6	Rothschild Trust	26	3
Grant (James)	27	3	Rowlinson Constrn.	27	3
Hunt & Moscrop	27	4	Safeway	27	1
Irish Distillers	27	4	Waddington (John)	26	2
Lucas Industries	28	1	Ward & Goldstone	27	5

setback in volume. Cigarettes were down by more than national average because of the company's deliberate policy of limiting the number of price cuts. Since the end of the year sales are showing some signs of picking up with a 16 per cent rise in the first nine weeks compared with 13 per cent in the preceding six months, but the Daily Mirror dispute caused some minor setback as Mirror sales account for 3 to 3 per cent of turnover (more in terms of profits). Obviously Christmas sales are vital, particularly in the large high street sites, and eridantly there are signs that the seasonal sales are getting under way so prospects for the current six months look reasonable. At 22.8p the yield of 4.5 per cent, and p/e of 5.3 or 12.1 fully taxed is in line with Martin's competitors.

Two years—in addition to the £33m. asset replacement programme—and projections made to support investment indicated a continued growth of profit.

The directors now say that, following the successful Rights issue, the rate of investment is being increased. The new factory extension for plastic container business will be commissioned next month and new advanced machinery is being built.

Other major investments involve machinery for folding cartons and new premises for greeting cards manufacture and distribution. The building in Canada has been postponed until business improves, they add.

Second half upturn for MAM

THE MODERATE profit rise forecasted by the directors of Management Agency and Distributors in May, turns out to be from £1,920,000 to £2,330,000 for the year ended July 31, 1977, reflecting an upturn from £1,040,000 to £1,400,000 in the second six months.

Profits at the attributable level come out ahead from 50.78m. to 50.89m. and earnings per 10p share are stated to be up from 12.1p to 14.9p.

Turnover is increased from 5.2p to 5.61p, with a final of 3.66p net.

Turnover 1976-77 1975-76

1976-77	1975-76
14,976,537	11,831,577
Trading profit	3,328,000
Interest receivable	2,802
Profit before tax	2,328,482
Taxation	1,227,461
Net profit	1,101,021
Minorities	15,525
Attributable	1,085,496
Goodwill written off	222,561
Dividends	424,000
Retained	438,110

comment

The market was disappointed with Waddington's 13 per cent rise in profits, which was coupled with the cautious statement for the second half, left the shares 22p lower at 23.0p. The games and puzzles division—monopoly, etc.—has been particularly hard hit in a saturated market and by a destocking policy by major customers, reducing its contribution to profits by about 12 per cent, to virtually nil. But other activities held up well, particularly greeting cards (a quarter of profits) which has recovered from last year's slump after the sharp rise in postage charges, and continuous stationery. However, the important packaging division is now seeing a downturn in demand for cartons and labels in line with lower consumer spending and the market is now expected no more than £3.75m. for the year (13.27m.), giving a prospective p/e of 7.5 on average capital while the yield of 7.8 per cent is covered more than two and a half times by earnings.

Rothschild Investment earnings up

GROUP REVENUE of Rothschild Investment Trust improved from £2,770,000 to £2,840,000 in the half year ended September 30, 1977, and the balance attributable to Ordinary Holders emerges ahead at £192,000 against £181,000.

Earnings per 50p share are stated to be up from 3.1p to 4.5p basic and from 3.3p to 4.3p fully diluted.

At September 30 net assets pre-conversion amounted to £48.65m.

against £38.80m. at March 31, 1977, and post-conversion at £72.30m. against £64.38m.—equal per 50p share to 25.4p (21.1p) pre-conversion and 28.9p (21.6p) post-conversion. At December 6, 1977, the net asset values were 257p and 247p respectively.

An interim dividend of 1.5p net (1.266p) has already been declared—the total for 1977-78 was 5.48p.

Property income includes the loss for the half year in respect of the one remaining European property, which is in Paris—27 per cent of this property has been let with effect from August 1, 1977.

Group revenue does not include the results of Frank H. Ayling and its subsidiaries. This company no longer has any trading interests following the disposal since the year end of its remaining operating subsidiaries.

The minority in Anglo Leasing previously held by N. M. Rothschild and Sons has been acquired by RIT since the year end for £45,000.

Leicester comes up with £12m. floater

The City of Leicester is the latest to join the stream of floating rate stocks. The issue is of £12m. of Floating Rate Stock 1982 by an offer for sale payable in full on application.

With effect from December 14 this stock, and all the other listed floating rate stocks, will be investments falling within Part 2 of the First Schedule to Trustee Investments Act 1961 thereby bringing in the pension funds.

Interest on the floater will be payable half-yearly in arrears on June 16 and December 16 at the rate of 1 of a point above the London Inter-bank Offered Rate (Libor).

The first interest payment will be from December 15 to June 14 and the interest will be 5.0777 per cent (less tax). This represents an interest rate of 8 per cent per annum.

Morgan Grenfell has subscribed for the full amount of stock, J and A Scrimgeour is the broker to the issue and money broker, Fulton Packshaw, has advised the Council in relation to the issue.

Applications lists for the stock will open at 10 a.m. on Thursday and close on the same day. Dealings are expected to start on Friday.

Interest accrues from yesterday the offer price is inclusive of four days' interest, so exclusive of interest the price is the equivalent of 599.91 per cent.

comment

The yield on offer from Leicester's floater is marginally lower than that offered last week from Kensington, but that is unlikely to have much effect on the response to the issue. The usual line of financial institutions will take up the stock; the fact that pension funds will be able to purchase the stock from tomorrow is merely a bonus which has any bearing on this issue. However, the market is developing—in total nearly £120m. has been raised—and the pension funds are now being invited to consider investing as it continues to build-up. As yet there has not been an issue of over five years, but a seven year stock is a possibility. Certainly

comment

At the interim stage MAM forecast a moderate profit rise. In the event pre-tax profits are up 21 per cent, after a 5 per cent gain at the interim stage. A large slice of the increase was generated from record sales which enjoyed a particularly good run in the second half with top selling albums and singles in the U.S. from Tom Jones and Engelbert Humperdinck—and some of the earnings from these will have spilled over into the current half. Elsewhere the group reports steady progress from its other divisions and is continuing with its policy to diversify away from the "risk" show business industry and has recently added the Merrion, in Leeds, to its hotel chain. Meanwhile the strategy of 60p yield 8 per cent, on a p/e of 4.4; and it will remain difficult to escape such a low rating while profits growth depends to such a large degree on the volatile show business industry.

ISSUE NEWS AND COMMENT

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DIVIDENDS ANNOUNCED

Company	Current payment	Date	Corr. of sp. div.	Total for year
Blakey's	1.25p	Jan. 24	1.7	—
Caffyns	2.25p	Jan. 24	1.55	2.40
Carr's Milling	1.75	June 18	1.55	2.40
James Crean	5.00p	—	4.88	8.48p
Deansons	2.1	—	1.89	2.1
Delson	1.51	—	1.51	1.51
G. M. Firth	Nil	—	—	—
Management Agency	3.66	Feb. 22	3.55	5.41
Martin the Newsagent	4.41p	Feb. 28	2.31	6.8
May & Hassell	0.94	Feb. 9	0.84	—
Rowlinson Const.	0.73	—	0.66	—
John Waddington	0.73	—	0.73	—
Ward and Goldstone	0.73	Feb. 17	0.73	—

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. † On increased by rights and/or acquisition issues. ‡ To reduce £1 Gross throughout. Not net as previously reported.

May & Hassell falls to £0.54m. halfway

WITH EXTREMELY depressed demand coupled with a fall in timber prices, following Scandinavian devaluations, creating pressure on May & Hassell earnings from £1.5m. to £300,000 in the half year to September 30, 1977.

The group's share of its associate company's loss was down from £1m. to £362,000. Group sales grew to £26.6m. from £25.6m.

Mr. J. H. B. Atley, the chairman, points out that sterling is strong while most exporters' currencies are weak and large stocks are unusually held while world demand is depressed. Even so his hopes for a reasonable profit at full time remains.

In July he said that the group was under-committed to forward purchases. However, recently part of that buying power has been used to advantage improving margins although compared with 1976-77 the company is still under-bought.

The net interim is raised to 0.9822p (0.84p) per 25p share. Last year payments totalling 2.7748p were paid from profits of £1.39m.

After tax, extraordinary items and minority interests amounting to £82,000 (£90,000) the attributable profit emerged at £454,000 (£393,000).

comment

May & Hassell is the third timber company to report half year figures in the last few days. But unlike International Timber and Bambergers, May & Hassell has opted out of buying in the Russian timber market early in the year preferring to hold on until the cheaper Scandinavian timber, whose price has been made competitive by devaluation, comes onto the market in the summer. As a result the group is underbought, but will not have to carry the same element of stock losses as other timber companies who stocked up at higher prices earlier in the year. Like other timber companies volume sales are down by around 13 per cent—the rise in the turnover figure reflects the influence of acquisitions. Loss elimination in the joint-owned (with Montague L Meyer) associate Hallam has been achieved thanks to the disposal of the cabinet factory. For its full year, an outturn of £2.3m. view or taking action in the shares at 66p (down 3p) on an enquiry which is in prospect p/e of 3.8, and yield of 7.1 per cent (assuming a maxi-

comment

When reporting the little changed £250,000 the directors of the business in that period were encouraged, with an overall picture for the year which was encouraging. The net interim is raised to 0.9822p (0.84p) per 25p share. Last year payments totalling 2.7748p were paid from profits of £1.39m.

After a low tax charge of £49,933 against £260,600 profit comes through with £109,465 compared with £100,000 in 1976-77.

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Reminder to BP investors

The Bank of England and the four major clearing banks yesterday sent reminders to investors who have still not paid the outstanding £5.45 per share owed on the sale of 250,000 BP Petroleum shares earlier this year.

The balance was due a week ago today, and by last Friday it was estimated that less than 10 per cent of the outstanding money had still to be paid. It is likely that around £2m. is owed—mostly by small shareholders.

The Bank has indicated that if the money is not forthcoming shortly then it will require interest to be paid on the outstanding sum—possibly at 5 per cent above B.L.R. (currently at 7 per cent.). The ultimate sanction is that investors would lose title to the shares and be down payment men when the shares were bought.

CU—82.7% ACCEPTED

The directors of Commercial Union announce that acceptances have been received for 48,536,430

46 companies wound up

Orders for the compulsory winding up of 46 companies were made by the High Court yesterday. They were: Econofuel, East Kent Marine (Sandwich), Bonshor (Plant Hire), Costello (Transmissions), Hinchey (Trousers), J. L. Side (Builders), Hoborn Productions.

Harouni Holdings, Credit Films, Blockwell and Pressley, The Bramley Shirt Company, Reaproft, Savery Plasterers, A. and B. Turner, Devosium Investments, D. J. Jones and Sons, Company, North East Finishing Specialists, Wimbleton Roofing Specialists, Kenway Construction and Plant Hire, Raistrick (Elastoplast), Souths, Dennis R. D. Doubtfire (Brickwork Contractors), G. and B. Consultancy Services (London).

Tropical Soundtracs, Danian and Company, D. H. Freeman (Haulage), Laphart, Superpower Broadcasting, John Barrington (Electrical Contractors), G. J. Ward, Magnet Decorating Contractors.

Primero (General Merchants), Karlis Manufacturing and Machining, Berthel, Green Agencies, A.G.C. (Auto Gas Conversions), E. W. G. Stoddart and Associates, Crumar, Merripont.

L. A. Lewis (Refrigeration), Mobile Marine (Southampton), Gordon Barnard, and Granville Electrical.

LLOYD'S LIFE NEW PLAN

Lloyd's Life Assurance has launched a new pension plan designed to enable directors and other senior executives to make pension provision at retirement. The Lloyd's Life Directors Plan offers tax benefits for directors not only on retirement but on lump sum provisions payable on death, thereby providing a solution to many Capital Transfer Tax problems.

The contributions, which are eligible as a business expense for the company concerned, are invested 100 per cent for periods exceeding ten years in a choice of—equity, property, fixed-interest, deposit and managed. There are facilities for switching between funds and Lloyd's Life is also launching a new Guaranteed fund to secure guaranteed benefits at retirement.

G. R. DAWES

One December 30, the liquidator of G. R. Dawes Holdings proposes to make a first distribution of 1p per share to members, registered on December 9.

It is the intention that the listing of the shares be maintained and the shares designated "ex-distribution" from December 12.

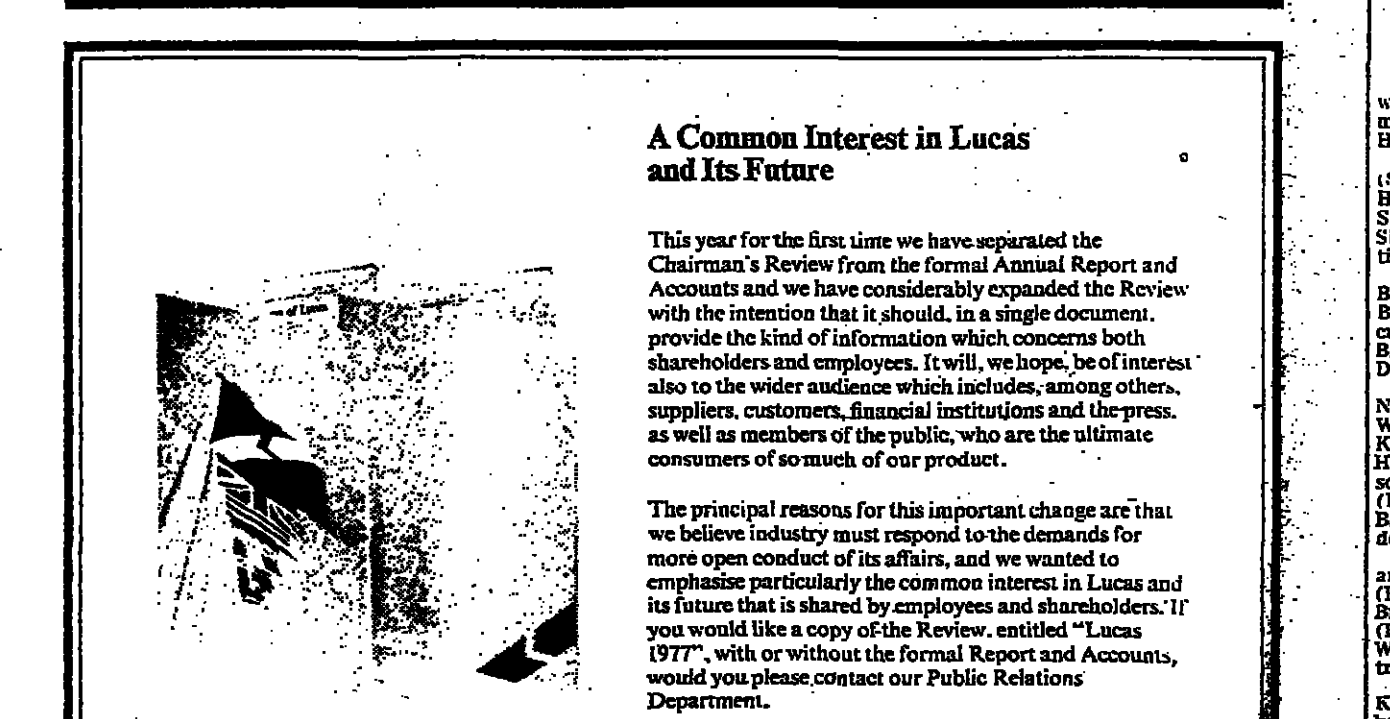
Rowlinson

Mr. P. J. Rowlinson, Chairman, reports the half-year ended 30th September.

- ★ Profit maintained at £603,900 against £602,700.
- ★ Profits for full year to be similar to last year.
- ★ Interim dividend increased by 10%.
- ★ Bonus scrip issue under consideration.
- ★ New industrial estates planned.

Rowlinson Constructions Group Ltd., London House, London Road South, Poynton, Cheshire SK12 1P.

Lucas 1977



A Common Interest in Lucas and Its Future

This year for the first time we have separated the Chairman's Review from the formal Annual Report and Accounts and we have considerably expanded the Review with the intention that it should, in a single document, provide the kind of information which concerns both shareholders and employees. It will, we hope, be of interest also to the wider audience which includes, among others, suppliers, customers, financial institutions and the press, as well as members of the public, who are the ultimate consumers of so much of our product.

The principal reasons for this important change are that we believe industry must respond to the demands for more open conduct of its affairs, and we wanted to emphasize particularly the common interest in Lucas and its future that is shared by employees and shareholders. If you would like a copy of the Review, entitled "Lucas 1977", with or without the formal Report and Accounts, would you please contact our Public Relations Department.

Highlights of the 1977 Results

	1977	1976
	£ million	£ million
Sales	886.1	719.3
Profit before tax	77.3	55.8
Profit attributable to shareholders	36.7	27.9
Shareholders' funds	345.8	289.7
Pence per ordinary share		
Net assets	348	319
Earnings	39	36
Dividends:		
Interim	2.122	1.5158
Final	6.098	5.8442
Total	8.220	7.3600

Lucas Industries Limited
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Oliver Rix stronger: recovers to £0.13m.

AS ANTICIPATED in June recovery at motor distributors Oliver Rix continued in the second half with a turnaround from a pre-tax loss of £10,323 to a profit of £110,572, to end the year at September 30, 1977, with a surplus of £182,020, against a deficit of £17,825.

In addition the balance sheet has been considerably strengthened. A recent professional valuation of properties showed a surplus over book value and borrowings have been reduced by £0.8m, bringing the overall reduction in the last two years to £2.1m. This was achieved through the sale of properties and investments which were either above requirements or uneconomic, Mr. A. K. L. Stephenson, the chairman, says.

Sales for the year were £1.33m. There was no tax charge this year (credit £32,288) but extraordinary debits net of £188,567 from reserves of £188,567 (£188,567) left an attributable loss of £188,567 (£188,567).

The extraordinary items consisted of losses against book value on land and buildings of £188,567; revaluation surpluses of £188,567; and a loss on the sale of £188,567 (£188,567).

Under rationalisation measures of its banking operations in Jersey, Standard Chartered Bank is to change the name of its two existing companies, as from January 1, and their business will be transferred to Jersey.

It is proposed that the name of Julian S. Hodges Bank (Jersey) will be changed to Standard Chartered Bank (C&J) and will continue to be a banking company, and the name of Wallace Brothers Bank (Jersey) will be changed to Standard Chartered Bank (C&J) and will continue to be a banking company.

The East of Jersey will be chairman and Mr. Oliver Oakes managing director of the new company.

Hodge Finance (C.I.) has been formed to undertake the instal-

BOARD MEETINGS

The following meetings have notified dates of Board meetings in the Stock Exchange. Some meetings are usually held for the purpose of considering dividends. Official indications are not given whether dividends concerned are interim or final and the subdivisions shown below are based mainly on last year's results.

10-DAY

Imperial Chemicals: 12.12.77
Imperial Continental Oil: 12.12.77
Imperial Oil: 12.12.77
Imperial Chemicals: 12.12.77
Imperial Continental Oil: 12.12.77
Imperial Oil: 12.12.77

Jersey switch by Standard Chartered

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Irish Distillers ahead to record £4.9m.

AFTER CREDITING £1.4m. arising on the introduction of SSAP, profits of Irish Distillers Group, which takes in the Power and Jameson whisky labels, expanded from £2.08m. to £4.9m. in the year ended September 30, 1977.

When reporting a near 25 per cent gain to £1.7m. at halfway the directors said they expected growth to continue in the second six months.

Earnings per 25p share are stated to be up from 6.4p to 14.75p, after the SSAP 9 adjustment. As already announced the gross dividend total is stepped up from 3.25p to 4.75p, with a final of 3.25p.

Turnover on sales ahead from £23.37m. to £29.25m. pre-tax profits of £1.4m. compared with £0.91m. in the six months to September 30, 1977. Tax for the period took £642,200 (£621,040) and reflecting the directors' hopes for the future, capital expenditure amounted to £1.4m. compared with £0.91m.

The interim dividend per 25p share is effectively lifted from 0.725p to 1.086p net. Last year's adjusted total was 4.063125p from profits of £4.14m.

A downward adjustment in the stock value of non-ferrous materials has been taken into account, the directors report.

Progress by Ward & Goldstone

On sales ahead from £23.37m. to £29.25m. pre-tax profits of £1.4m. compared with £0.91m. in the six months to September 30, 1977. Tax for the period took £642,200 (£621,040) and reflecting the directors' hopes for the future, capital expenditure amounted to £1.4m. compared with £0.91m.

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Hunt & Moscrop

MR. EDWARD HUNT, chairman of Hunt and Moscrop (Middleton), machinery manufacturers, told the AGM that four sections of the company were performing very strongly, both in terms of a higher level of incoming orders and in general levels of trading.

These sections were shell and tube heat exchangers, extended service heat exchangers in the U.K., paper machinery and engine plant. The level of incoming orders represented by these four divisions was collectively 50 per cent higher than the similar period last year.

Also, the group had a large backlog of orders to fulfil at its process plant subsidiary and the £4.7m. contract for the Soviet Union had not figured in any invoiced outputs in the company.

Profit in the June 30, 1977, year was a record £1,571m., and dividends totalled 0.709811p.

The volume of the group's exports would be increased substantially during the coming year and the Russian contract alone will account for a similar figure to the whole of the group's exports over the last financial year.

Recently contracts have been received for efficient plant from Nigeria, Hong Kong, Singapore, Australia and the Caribbean.

B & I expects further growth to £725,000

The Irish Government-owned shipping and transport group B and I Line expects to show improved profitability for the third year running, with taxable profit at £725,000 for 1977. Turnover will be 24 per cent better at £32m. against £25.87m.

Announcing this to employees and trade union representatives, Mr. William Mulligan, the chief executive, added that the directors were confident that they can build on the achievements of the current year in 1978.

May & Hassell LIMITED

(Importers, distributors and manufacturers of timber and allied products)

Interim Statement by the Chairman, Mr J H B Atley
Half-Year ended 30th September, 1977

RESULTS Turnover up from £23m to £25.6m. Pre tax profit £536,000. The half-year saw pressure on margins resulting from extremely depressed demand coupled with a fall in timber prices following Scandinavian devaluations.

DIVIDENDS Proposed interim, payable 6th February, 1978, 10% up.

OUTLOOK Sterling is strong. Most exporters' currencies are weak. Large stocks are universally held whilst world demand is depressed.

In July I advised the Group was under-committed to forward purchases. Recently part of that buying power has been used to advantage improving trading margins although compared with last year the Group remains under bought. A small stock write-down may be appropriate at March 1978.

The prescription of watchful caution in my annual statement and my hope for reasonable profit to March 1978 remain.

G. M. Firth slips into the red

REFLECTING STATIC sales volume, pressure on margins and cost inflation, G. M. Firth (Metals) ran into a loss of £29,000 in the six months ended September 30, 1977 and the interim dividend is being omitted.

This result compares with profits of £44,000 and £135,000 in the second and first halves of 1976-77 and with a total of only £22,440 in 1975-76. In 1975-76 group profits were at a peak of £803,544.

Turnover in the 1977-78 first half was marginally lower at £2,72m. against £2,83m. Mr. Gerard Leadbetter, chairman, explains that the steel industry throughout the world remains very depressed and the group's sales are not likely to recover significantly until markets improve.

A decision as to the amount of the final dividend will be taken when the full results are known. For 1976-77 an interim of 2p was followed by a similar final.

	Half-Year to 30th Sept. 1977	Year to 31st Mar. 1977	Year to 31st Mar. 1976
Turnover	25,641	23,031	47,364
Group Profit before Tax	904	2,453	3,558
Group share of Ass. Co. Loss	(368)	(1,000)	(2,164)
Profit before Tax	536	1,453	1,394
Tax, extraordinary items, minority interests	(82)	(950)	416
Profit for appropriation	454	503	1,810
Interim Dividend	0.9382p	0.84p	1.93248p

Mann Egerton makes headway

27.7 PER CENT improvement in taxable profit to £2.11m. is reported by Mann Egerton and company for the six months to September 30, 1977, and Mr. W. D. Campbell, chairman, says he looks forward to another successful full year's trading.

Profit for the last full year amounted to £3.7m.

Results for the half year beside a contribution from the newly acquired Lighting and Leisure Group, for the period from July 5 to September 30. (Without this the strictly comparable advance in profits would have been 25.6 per cent.)

Lighting and Leisure's year ended at July 31 and its profits for this period amounted to £1.1m., a result which was in accord with the basis of purchase negotiations. The year for

Lighting and Leisure has been altered to conform with group practice, and Mann Egerton will be incorporating only nine months' profits into the current year. Furthermore, the contribution will not be proportionate to a full year's trading owing to the seasonal nature of sales. The chairman does, however, expect a full year's trading from this subsidiary to exceed their previous year's results.

Half year earnings per share of Mann Egerton are shown to have risen from 9.58p to 12.35p. In November the company completed the purchase of Truman Mitchell, a major Nottingham-based distributor for Jaguar, Daimler, Rover, Triumph, Land Rover and Rolls-Royce products. It is the directors' intention to merge the trading activities of

Truman Mitchell with the company's own Austin distributor in Nottingham, thereby creating the largest motor trading company in that city and considerably strengthening the profit potential of the group.

Mann Egerton is itself a subsidiary of Inchope and Company, which is constantly investigating opportunities for expansion into any sphere of business activity appropriate to Mann Egerton's management experience.

Turnover	11,824	9,807
Trading profit	2,278	1,774
Pre-tax profit	2,109	1,425
Tax	(1,077)	(792)
Net profit	1,032	633
Extraordinary credits	17	11
Provision for contingencies	(11)	(11)
Attributable to Ordinary	1,021	622

Safeway soars to near £6m.

ALTHOUGH A severe competitive situation developed in the final quarter Safeway Food Stores, supermarket operators, expanded taxable profit by 74.7 per cent, to £3,293,506 to a record £3,894,251, for the year to October 1, 1977. Sales climbed 23 per cent from £149.9m. to £184.6m. Mr. Terence Spratt, the chairman, says that the competitive situation continues to trim margins and demands even greater efficiency in all areas of the business, but the directors are confident that the company will meet the challenge in the current year.

The company, which is quoted, and American-owned added three new stores during the year and closed one, bringing the total to 83. A number of stores have had major remodeling and extensions, and more are planned.

There are 13 new larger stores in the pipeline for opening between 1978 and 1980 with a continuing programme planned for the future, Mr. Spratt adds.

£69,000 from AB Engineering at midway

After interest of £69,000 compared with £93,000 Associated British Engineering achieved a turnaround from a loss of £4,000 to a pre-tax profit of £69,000 in the six months to October 1, 1977. For the last full year a surplus of £2,000 was reported.

Turnover for the first half was £1.44m. (£1.23m.). Tax took £39,000 (nil) giving earnings of 0.4p (loss 4p) per 12 1/2p share.

insurance market's high opinion of the aircraft's very good safety record.

The scheme, which is underwritten by British insurance companies and Lloyd's underwriters, covers the usual insurance on the aircraft hull and basic coverage for third parties and passengers. It also includes aircrew liability, war risks and other less obvious covers.

There are option extras included in the cover, taking in hijack insurance, strikes, riot and malicious damage. The premiums depend on the type of aircraft. For the HS 125 Series 700 the premium for all risks is £0.75 per cent of value plus £1 per cent for war risks. The premium for legal liability insurance varies from £2,750 for £10m. cover to £5,750 for £50m. cover.

Oceana Hldgs. loss deepens

After all charges Oceana Holdings made an increased loss for the year to April 30, 1977, of £8,687, against £18,226. Turnover jumped from £189,789 to

£293,890 and the loss per share was up from 0.87p to 5.2p.

The directors are confident that the company will steadily develop its accounts for the coming year will show a substantial improvement.

James Grant cautious

Although profits of James Grant (East) show an improvement, the directors point out that as yet there are no reliable indicators of a general upturn in retail furnishings and consumer durable sales.

For the nine months to October 31, 1977, group profit, before tax, came to £281,000, against £242,000. Sales in November have not been as buoyant as in 1976.

The interim dividend on the privately held capital is again 1.75 per cent.

MONEY MARKET

Exceptional assistance

Bank of England Minimum Lending Rate 7 per cent. (since November 25, 1977)

Day-to-day credit was in very short supply in the London money market yesterday, and the authorities provided exceptional assistance in the form of Treasury bills from discount houses, and a moderate number of local authority bills. Two or three houses also borrowed a large amount from the Bank of England.

Minimum Lending Rate of 7 per cent.

Banks carried over very run-down balances from Friday, and settlement of gilt-edged stock sold by the authorities was another major adverse factor. The market was also faced with an excess of revenue payments to the Exchequer over Government disbursements, and a continued seasonal rise in the note circulation, as well as an adjustment for special deposits. A very small amount of net maturing Treasury bills were in the market's favour. Discount houses picked up funds at as low as 4 per cent, but most money commanded 6 1/2 per cent.

In the interbank market overnight loans opened at 6 1/4 per cent, and rose to 7 1/4 per cent, before closing at 6 1/2 per cent.

Short-term fixed period interest rates continued to ease. Discount houses buying rates for three-month Treasury bills fell to 6 1/4 per cent, from 6 1/2 per cent, and the interest rate curve declined further, reflecting the continued pressure on short-term rates, while longer term rates eased again.

Rates in the table below are nominal in some cases.

Dec. 12 1977	Overnight Certificate of deposit	Interbank	Local Authority deposits	Local Authority debentures	Finance House Deposit	Company Deposits	Discount House Deposits	Discount House Bills	Discount House Bills	Prime Bank Bills
Overnight	7 1/4	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2
3 months	7 1/4	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2
6 months	7 1/4	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2
12 months	7 1/4	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2	6 1/2

Level authorities and finance houses seven days' notice, where seven days' fixed. * Longer-term local authority mortgages nominally three years 9 1/2 per cent, four years 10 1/2 per cent, five years 11 1/2 per cent. Bank bill rates in the table are buying rates for prime paper. Buying rate for four-month bank bills 6 1/2 per cent, for six-month 6 1/2 per cent.

Approximate selling rate for one-month Treasury bills 6 1/2 per cent, two-month 6 1/2 per cent, three-month 6 1/2 per cent. One-month Treasury bills 6 1/2 per cent, two-month 6 1/2 per cent, three-month 6 1/2 per cent.

Finance House Base Rate (unpublished by the Financial Houses Association) 5 1/2 per cent, from December 3, 1977. Company Deposits Rates (for small sums at seven days' notice) 3 1/2 per cent. Discount House Base Rate for lending 6 1/2 per cent. Treasury Bills: Average tender rates of discount £254 per cent.

Which international construction company is the 3rd largest private housebuilder in the UK?



The same company that manufactures and lays more roof waterproofing materials than any other in Europe.

The same company that has the largest production of blacktop for roads in the UK.

The same company that owns 100 quarries with reserves of 3000 million tonnes of stone.

The same company that, every day, is working on as many as 700 building and civil engineering contracts in the UK and around the world.

While Tarmac just means home to some, it's the diversity of our activities which gives us a unique strength in the construction industry.

Rich in resources. Big in construction.

JANUARY 1978

Mixed finish after slow trading Dollar falls

BY OUR WALL STREET CORRESPONDENT

AFTER MODESTLY extending last Friday's rally, stocks on Wall Street today fluctuated in slow trading before finishing with mixed movements...

PARIS - Market was essentially flat in trading with business restricted by the continuing strike by Bourse employees...

NEW YORK, Dec. 12. Speculation that little more than verbal support for the U.S. dollar is likely to result from the central bankers meeting in Basle...

GOLD MARKET

Table showing Gold Market prices for various locations including London, New York, and Zurich.

FOREIGN EXCHANGES

Table showing Foreign Exchange rates for various currencies like the Swiss Franc, Japanese Yen, and British Pound.

OTHER MARKETS

Canada reacts - Canadian Stock Markets reacted in an active business yesterday, although Metals and Minerals showed resistance...

AMSTERDAM

AMSTERDAM - Market presented a mixed appearance after dull trading. Hoogovens and Royal Dutch were around Fl.60 easier...

STOCKHOLM

STOCKHOLM - Irregular. Eselle was a bright spot at Kr202 up 6. Milan - Shares weakened over a broad front in an almost complete absence of buying interest...

CURRENCY RATES

Table showing Currency Rates for various countries including Australia, Canada, and the UK.

Indices

Table showing Indices for New York Dow Jones and Standard and Poors.

Rises and Falls

Table showing Rises and Falls for various markets including London, Paris, and Frankfurt.

EXCHANGE CROSS-RATES

Table showing Exchange Cross-Rates for various currencies like the Swiss Franc and Japanese Yen.

EURO-CURRENCY INTEREST RATES

Table showing Euro-Currency Interest Rates for various terms and currencies.

NEW YORK - DOW JONES

Table showing New York Dow Jones index data for various dates.

MONTREAL

Table showing Montreal market data for various dates.

TORONTO

Table showing Toronto market data for various dates.

FORWARD RATES

Table showing Forward Rates for various currencies and terms.

OVERSEAS SHARE INFORMATION

Large table providing detailed share information for various international companies, including their stock prices and financial data.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

French paper industry to receive State aid

BY DAVID CURRY

THE FRENCH Government has unveiled its first package of aid for the loss-making paper and pulp sector. But the elaborate restructuring programme that was to go hand in hand with the finance has been almost entirely dropped.

The main reason for this is quite simply that most of the companies earmarked to participate in this restructuring by the industry Ministry have quite simply failed to play ball—in particular the giant of the industry, the St. Gobain-Pont-a-Mousson controlled company La Cellulose du Pin.

The Government has been left with little more than a costly programme of investment designed chiefly to economise on foreign exchange—not a negligible ambition in view of the fact that the timber and paper sector is second only to energy as a deficitary item in French trade.

Altogether some Frs.4bn. of investment is intended for the paper and pulp industry, with the object of overcoming the Frs.3.5bn. annual deficit in this sector. Around half of this is likely to be financed using public funds.

The first tranche of this, announced by the industry Minister, covers loans of Frs.600m.

from the official Economic and Social Development Agency which lends at 1 per cent. below market rates—24 per cent. at the present.

Three projects are involved. The first is the doubling of capacity to 200,000 tonnes a year of pulp output at the Tarascon factory in the south-west of La Rochelle Ceppa, a company whose leading shareholder is the banking and investment group Paribas and in which Saint Regis, the North American forest product group, also holds a stake. Total cost—around Frs.650m.

The second is the increase, for some Frs.250m. of investment, in the newspaper and pulp output at two plants belonging to La Chapelle Darblay. The third chapter concerns Frs.300m. investment at three smaller companies: Sibille et Stey, Emin Leydier, and Jean d'Heurs.

A further aid is expected in a couple of months: in particular the plan to construct a newsprint factory in the Vosges to reduce the country's dependence on imports is hanging fire.

Originally the government planned to tackle the problems of a heavily loss-making sector by constructing two big groups of a European dimension. The loss last year but this puts it amongst the ranks of the better performers in the sector.

PARIS, Dec. 12.

would bring together the condai subsidiary of St-Gobain and La Cellulose du Pin, the paper-making interests of the Beghin sugar empire, La Chapelle Darblay, and Aussadat.

The only problem was the widespread belief in the industry that there was no justification for increasing pulp capacity. Aussadat and Beghin withdrew to be followed by Condai while St-Gobain wanted in any case not to get involved in the white paper sector. The government, in the end, has had to be content with increasing La Chapelle Darblay's capacity unilaterally.

The other big group would cover the packaging and Kraft paper sector by bringing together La Cellulose Du Pin and La Rochelette Ceppa.

This failed when St-Gobain disagreed strongly with the doubling of the Tarascon plant for pulp. La Cellulose was pulled out of the discussions and St-Gobain announced that it would henceforth paddle its own canoe. It is planning a Frs.60m. increase in capital (to Frs.290m.) at La Cellulose (which is owned 58 per cent. by the state).

La Cellulose will lose Frs.70-80m. this year on top of a similar loss last year but this puts it amongst the ranks of the better performers in the sector.

Wagons Lits sees good year

BRUSSELS, Dec. 12.

CIE INTERNATIONALE des Wagons Lits et du Tourisme SA said 1977 results will at least equal those of 1976, and will probably be higher, reports Reuters.

In 1976 the company paid a net Frs.27 per share dividend on net profits of Frs.47.8m. Wagons Lits said group net turnover in the first nine months of this year rose 8.9 per cent. to Frs.5.19bn. in the railway sector, by 3.1 per cent. to Frs.2.79bn. in catering, and by 10.1 per cent. to Frs.623m. in its hotels sector.

Group tourism turnover including value added tax, rose 2.3 per cent. to Frs.12.8bn. The turnover rises would have been larger if currency fluctuations were excluded, it added.

Industrie Pirelli

MILAN, Dec. 12. INDUSTRIE Pirelli SPA is negotiating the sale to the region of Lombardy of its 31 floor office headquarters in Milan to provide cash to finance investments in Italy, reports Reuters.

A company spokesman was unable to confirm reports that the price being negotiated was around L.40-45bn. (€25-35m.), and said he could give no precise details as to how the money would be spent.

AMERICAN NEWS

Carter Hawley Hale in \$325m. bid

BY STEWART FLEMING

MARSHALL FIELD, the company which owns the largest department store in Chicago as well as stores in other parts of the U.S., today received a \$325m. cash and shares takeover offer from Carter Hawley Hale, one of the nation's largest retail stores groups, and best known for its Neiman-Marcus and Bergdorf-Goodman outlets.

Within hours of the announcement of the \$36 a share bid, Marshall Field indicated that it was determined to try to fight off the approach, announcing that it had a one-third share bid against Carter Hawley Hale, which had indicated that Marshall Field was unwilling to enter into merger talks.

In its 1976 fiscal year, Carter Hawley Hale recorded net profits of \$42m. on sales revenues of \$1.3bn. Its base is in the south and south west of the country, in California, Arizona and Nevada, where it has 71 stores.

It is also expanding nationwide, primarily under the Neiman Marcus name. Share analysts have been anticipating strong earnings growth from the group, which only a month ago closed the sale of its 20.5 per cent. interest in the British House of Fraser group for sales of \$78.8m.

Marshall Field, which operates mainly in the midwest, Washington State and Cleveland, reported sales revenues of \$600m. and profits of \$18.2m. in 1976. Analysts are forecasting, however, that 1977 could be the company's fifth successive year of reportedly declining earnings, partly reflecting losses from real estate ventures including hotels.

GELCO CORPORATION reports record first quarter revenues and earnings. Net earnings for the three months ended October 31 were \$4.7m., or 79 cents per share, on revenues of \$88.6m. This compares with \$2.6m. a year earlier (44 cents per share) on revenues of \$49.7m. All figures are unaudited.

FORD MOTOR Company plans worldwide capital expenditures of \$2.5bn. in 1978, up 40 per cent. over 1977, chairman Henry Ford II said in his year-end statement, Reuters reports.

Mr. Ford said that this would add 2.5m. square feet of floor space. He forecast worldwide sales of 36,555m. cars and trucks for 1978, the same as expected for 1977.

Sales of 11.1m. cars and 3.5m. trucks were expected in the U.S. in 1978.

Ford capital expenditures in 1978 would be spread among ten nations including the U.S., Canada, Venezuela, Australia, Brazil, the U.K., Germany, Mexico, Belgium and Spain.

In the U.S., major Ford expenditures would be spread among locations in eight states.

During 1977, Ford completed 21 major construction projects that added 2.2m. square feet to facilities worldwide.

Mr. Ford said that he expected U.S. gross national product growth of 4.9 per cent. in 1978. He based much of his optimism on the same economic indicators cited one week ago by General Motors in its year-end statement.

Overall 1978 U.S. spending plans were "disappointing," said Mr. Ford, but added that the U.S. auto industry would be spending "massive amounts" in the near future to retool and improve operating efficiencies.

NEW YORK, Dec. 12.

Ford's spending plans for the end of the decade average at least 10 per cent. annually and should help 10,000 employees to the 1977 total of 475,000 workers.

Worldwide industry contracts were forecast at \$10.5bn. for 1978 compared with \$10.1bn. in 1977, and \$95,000 in 1978.

Worldwide industry contracts were forecast at \$10.5bn. for 1978 compared with \$10.1bn. in 1977, and \$95,000 in 1978.

FLYING DIAMOND OIL CORPORATION has been informed that Western Industries Corporation has entered into negotiations to sell its 36 per cent. stock holding in Flying Diamond of the 4.18m. shares of Flying Diamond outstanding. City Western owns 1.48m. with plans to buy 200,000 additional shares.

In New York, a Gulf Western spokesman said the company was in talks with several parties for the sale of its investment in Flying Diamond. The spokesman said he was confident Gulf and Western would make a profit on the sale.

SWISS NEWS

Landis & Gyr expects growth

BY JOHN WICKS

SWISS electrical engineering concern Landis & Gyr hopes to book a further improvement in profits for the current financial year. In the staff magazine of parent undertaking Landis & Gyr AG, Zurbach management president Gottfried Straub-Gyr says that the rise in group profits to Sw.Frs.41m. in the business period ended September 30 was gratifying but that the profits level was still unsatisfactory measured against international interest rates and the need to improve competitive ability.

The profits figure, he points out, was in 1976-77 equal to only 6.3 per cent. of equity and 3.8 per cent. of production value. The chances for the group to improve profits in 1977-78 are improved by the need to save energy and rationalising the distribution of energy, according to Straub-Gyr. Operations in energy regulation and distribution are among the group's main activities. He also draws attention to replacement investments at least after years of limited capital expenditure.

30 per cent. its shareholding in Sozen-Swiss International Corporation, a New York-based investment banking concern, reports John Wicks in Zurich. The Swiss bank already had voting control.

The rise in Credit Suisse's participation takes place by the acquisition of shares hitherto held by Societe Generale, Paris, and its subsidiary, Societe Generale Alsacienne de Banque. The French company had for some time been planning to withdraw from Sozen-Swiss as part of a restructuring of U.S. interests.

CREDIT SUISSE, of Zurich, has increased from 25 per cent. to 30 per cent. its shareholding in Sozen-Swiss International Corporation, a New York-based investment banking concern, reports John Wicks in Zurich. The Swiss bank already had voting control.

Other major investments are in new machinery for folding cartons, and in new premises for greeting card manufacture and distribution.

The building in Canada has been postponed until business improves.

Business activity has declined in the last few months and we expect the early part of 1978 to be a lean period. However, even the lowest of our forecasts for the second half year's profit shows an improvement over last year's figure.

In the longer term we are confident that we can maintain our momentum, but this confidence is tempered by concern for the state of the country's economy.

At the time of the Rights Issue in July, Treasury consent was obtained for the ordinary dividend to be increased to 11.22p per share after deduction of tax at the standard rate of 34% for the year ending 2nd April, 1978.

The Board is raising the interim dividend to 5p per share (net of tax) from the 2p paid last year. The amount of interim dividend will be £310,941 compared with £102,144 paid on the lower share capital in February, 1977.

JOHN WADDINGTON LTD logo and interim report for the half year to October, 1977. Table with columns for 28 weeks to 16th October 1977, 28 weeks to 10th October 1976, and 53 weeks to 3rd April 1977. Rows include Sales, Profit before tax and depreciation on buildings, Depreciation on buildings, Profit before tax, Tax, Profit after tax, Minority shareholders' share of loss, and Shareholders' profit.

Associated Hotels

HONG KONG, Dec. 12. DESPITE lower operating profits, Associated Hotels is raising its dividend from 12 to 16 cents and also paying 4 cents cash bonus.

Group net profits dipped to HK\$25.1m. from HK\$25.8m. for the year ended September 30. However, the company has realised HK\$13.3m. through a property disposal. This has been taken into the profit and loss account.

The final dividend is 8 cents compared to 6 cents.

EUROBONDS No adverse effect from Shell issue

By Mary Campbell. TO THE SURPRISE of some dealers, the announcement of the jumbo \$500m. issue for Shell did not have an adverse effect on secondary market prices in the U.S. dollar sector. Conditions were calm, dealers said, with prices more or less stable.

Sterling issues continued to edge upwards. The main interest was in the floating rate note sector, where the \$75m. Hydrocarbons Bank (guaranteed by the Italian ENI) started trading. The initial reception was poor, having opened at about 97 1/2, it fell to 96 1/2 during the day before recovering a bit to 96 7/8, after a par pricing.

Although the Italian name is unattractive to some investors, the major factor behind the fall, dealers suggested, was the large size of the issue, which inevitably meant a lot of loose bonds.

The International Investment Bank's \$600m. syndicated Euro-currency has been issued. It carries a margin over inter-bank rates of one per cent. for a seven-year maturity. Proceeds are to go to the Orenburg pipeline project, Chase Manhattan Ltd. handled the loan.

STOCKHOLM, Dec. 12. PRIPPS, Sweden's largest brewer, reports pre-tax earnings of Kr.61m. (€7m.) for the financial year ending September 30. This represents an increase of almost 15 per cent. over 1976, but falls short of the Kr.75m. profit forecast in the eight-month interim report released in June.

Board recommendations are an unchanged dividend of Kr.10m. The Kr.90m. growth in sales to give a turnover of Kr.1.1bn. (€127m.) was also lower than anticipated. The optimism of the June report derived from the sharp increase in medium-strength beer sales before July 1977, when it was banned from sale outside the State alcohol monopoly shops.

The management believed that part of this increase could be retained after the ban, but the new, weaker "people's beer," which can be sold in super-

GERMAN NEWS

State denies doubts over West LB

BY JONATHAN CARR

THE GOVERNMENT of the State of North Rhine-Westphalia has firmly rejected any suggestion that it has doubts either about the soundness of the WestLB's debt or about the extent of its activities abroad.

In a statement the Government, which has a one-third stake in the bank, said that it lay in the interests of both the State and its economy that the management of West LB continued its foreign activity "in the well-proven fashion."

The action follows reports last week that the Government was dissatisfied with aspects of West LB's foreign activity, notably the purchase of a site for an office in London — where the bank so far has had rented premises.

The reports interpreted cabinet discussions on West LB as meaning that the Government proposed to gain a greater say in the bank's affairs through a change in shareholdings. At Government spokesman said.

Friedrich Halstenberg, a State Government spokesman said.

Orders down at Diehl

FRANKFURT, Dec. 12. THE DIEHL GROUP — the activities of which range from data systems, through non-ferrous metals, to defence products — today declared that it was not prepared to make any firm forecasts for 1978.

The inflow of orders had distinctly decreased in the past few weeks. But a clear judgment was made difficult because of factors that were impossible to quantify, such as the effects of the dollar crisis on export competitiveness and the results of the coming year's budget.

This denial was conveyed to the associations on Friday by the State Finance Minister, Professor metal products sector — a major contributor to turnover — orders had fallen by 11 per cent. in October compared with same month of 1976. The extent of it, however, was not clear from the interim report of the Nuremberg-based group.

BONN, Dec. 12.

Liebherr sees sales rise

FRANKFURT, Dec. 12. LIEBHERR, THE West German plant and machinery manufacturer, is expecting 1977 turnover to increase by 15 per cent. to a gross DM1.8m. year. Liebherr's group totalled DM1.87m.

Sales growth by the domestic operations will rather higher than that of the group. But, after the closure of inter-group trading, turnover is still expected to increase by 15 per cent. to DM1.87m.

HELSINKI, Dec. 12. OKAVO OY, the private iron and steel group in Finland, has come to an agreement with Stora Kopparbergs Bergslags of Sweden under which it will buy out the Swedish company's 50 per cent. interest in Oy Koverhar. Koverhar is part of the Okavo group and manufactures steel further processing. Its production in the current year is estimated at 335,000 tonnes of steel, 70 per cent. of which is exported abroad.

NORDIC COMPANIES

Pripps 15% gain is below forecast

BY WILLIAM DULLFORCE

PRIPPS, Sweden's largest brewer, reports pre-tax earnings of Kr.61m. (€7m.) for the financial year ending September 30. This represents an increase of almost 15 per cent. over 1976, but falls short of the Kr.75m. profit forecast in the eight-month interim report released in June.

Board recommendations are an unchanged dividend of Kr.10m. The Kr.90m. growth in sales to give a turnover of Kr.1.1bn. (€127m.) was also lower than anticipated. The optimism of the June report derived from the sharp increase in medium-strength beer sales before July 1977, when it was banned from sale outside the State alcohol monopoly shops.

The management believed that part of this increase could be retained after the ban, but the new, weaker "people's beer," which can be sold in super-

markets and grocers, has not caught on. The total volume of sales remained unchanged from the previous year at 450m. litres. Malt drinks increased by two per cent. while soft drinks declined by three per cent.

Pripps, in which the Swedish state has a 60 per cent. interest, with Beijerswest holding the remaining 40 per cent., has just taken over two small private breweries, on which it expects to make a loss over the next two years. This loss, coupled with stiffer operating conditions for breweries, will in the management's view probably lead to a downturn in earnings in 1977-78.

During the past year Prripps has reduced staff by more than 200 to just under 3,000 as part of its rationalisation campaign, which has improved productivity by 7.1 per cent. Investments amounted to Kr.35m., a decrease of Kr.14m.

HELSINKI, Dec. 12. OKAVO OY, the private iron and steel group in Finland, has come to an agreement with Stora Kopparbergs Bergslags of Sweden under which it will buy out the Swedish company's 50 per cent. interest in Oy Koverhar. Koverhar is part of the Okavo group and manufactures steel further processing. Its production in the current year is estimated at 335,000 tonnes of steel, 70 per cent. of which is exported abroad.

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

Table with columns for STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLES, and NOTES. Rows list various bond issues with their respective prices and yields.

THE CITY OF LONDON BUILDING SOCIETY One Hundred and Fifteenth Annual General Meeting held on Monday 12th December 1977. Chairman's report summarising the main features of the year's activities. Includes financial data: INTAKE OF SHARE AND DEPOSIT CAPITAL £21,417,027 received and £12,872,287 repaid; PROFIT THIS YEAR £237,499 after Corporation Tax; LIQUID ASSETS Amount to £16,086,411 representing 26.5% of assets.

Amro Bank in London: have you put us to the test yet? Amsterdam-Rotterdam Bank NV (Amro) is one of Holland's leading banks with total assets exceeding the equivalent of £12 billion. In a remarkably short time we've also become firmly established in the heart of the City of London. In fact, we've taken root so successfully that already leading British, as well as large international companies are making use of our services, both at home and overseas.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

ISS CHEMICALS

All eyes on America

BY JOHN WICKS, IN ZURICH

RECENT months there has been a remarkable rush of Swiss chemical companies strengthening their stake in the U.S. market. This latter fact, incidentally, highlights the possibility of building up an export base in the U.S. Hoffmann-La Roche says that already U.S. affiliates deliver more to Europe than vice versa.

Swiss chemical companies are expanding in the U.S. for any number of reasons. In the forefront is the enormous potential of the American market. Although the American economy may not be expanding as fast as had earlier been hoped, it is growing—and in certain areas growing substantially.

reasons for expanding in the U.S. are manifold. In the forefront is the potential of the American market. Although the U.S. may not be expanding as fast as had earlier been hoped, it is growing—and in certain areas growing substantially. Hoffmann-La Roche says that already U.S. affiliates deliver more to Europe than vice versa.

Hashihama assets frozen by court

MATSUYAMA, Dec. 12

THE MATSUYAMA District Court has frozen the assets of Hashihama Shipbuilding Co. following the company's failure to secure financial support to honour bills due totalling about ¥2bn.

The research company whose figures are used by the Government for the compilation of official business failure statistics, said this is also the fourth biggest business collapse in Japan's post-war history.

Toyota home sales to rise

TOKYO, Dec. 12

TOYOTA Motor Co. plans to sell 1,42m. vehicles on the domestic market next year, up 8.4 per cent from an estimated 1.31m. this year.

ISRAELI NEWS

ICC's larger stake

BY L. DANIEL

ICC HANDELS AG, a Swiss corporation wholly-owned by ICC Industries, an American concern, has purchased 688,026 Ordinary shares of Electrochemical Industries (Frutarom) of Acre, for about \$8m., from the Israeli Investors Corporation.

AUSTRALIAN COMPANIES

ICI Australia 47% gain

BY JAMES FORTH

SYDNEY, Dec. 12

ICI AUSTRALIA, local offshoot of the U.K. chemicals, plastics and textile group, boosted its profit 47 per cent, from \$421.1m. to \$621.1m. (€19.2m.) in the year to September 30.

Marra must pay dividend

MARRA Developments, a troubled pastoral company, has run into difficulties over dividend payments. James Forth writes from Sydney.

New Straits Times' issues

BY WONG SULONG

KUALA LUMPUR, Dec. 12

THE NEW Straits Times, the largest newspaper chain in Malaysia, has announced a one-for-three bonus issue, and a one-for-three rights issue, although profits for the year to August are down.

Disposals by Allied Chocolate

BY H. F. LEE

SINGAPORE, Dec. 12

ALLIED Chocolate Industries, a subsidiary of Allied Food Industries Far East of Hong Kong, has reached agreement to sell its shareholding in P.T. General Food Industries (GFI) of Indonesia and General Consolidated Company (GCC) of Hongkong to Indonesian shareholders of these companies.

Air Malta profit

By Godfrey Grims

MALTA, Dec. 12

DESPITE A stagnant market, Malta's National airline, Air Malta, made a taxed profit of £550,000, enabling the company to declare the first dividend since its formation in 1973.

All these notes have been sold. This announcement appears as a matter of record only.



Norsk Hydro a.s

(Incorporated in the Kingdom of Norway with limited liability)

U.S. \$50,000,000 7 1/8 per cent. Notes 1982

Issue Price 99 1/2 per cent.

Interest payable annually on 1st December

- Hambros Bank Limited, Swiss Bank Corporation (Overseas) Limited, Amsterdam-Rotterdam Bank N.V., Banque de Paris et des Pays-Bas, Credit Suisse White Weld Limited, Deutsche Bank Aktiengesellschaft, Den norske Creditbank

Advertisement for Tampella AB, featuring the company logo and financial details: US \$14,000,000 Medium term loan 1977-1984, guaranteed by UNION BANK OF FINLAND LTD.

Large advertisement for The Mitsui Bank, Limited, featuring the bank's logo and details: U.S. \$30,000,000 Three Year Eurodollar Floating Rate Certificates of Deposit, listing various international branches.

Advertisement for Norsk Hydro a.s. notes, listing various international banks and their branches, including Alabi Bank of Kuwait, Algeme Bank Nederland, A. E. Ames & Co., and others.

STOCK EXCHANGE REPORT

Gilts up again but end below best on labour pointers Equity leaders lose early firmness—Index down 1.4 at 484.5

Account Dealing Dates Option First Declara- Last Account Dealings Decs Dealings Dec. 28 Dec. 9 Dec. 20 Dec. 12 Dec. 29 Dec. 30 Jan. 11 Jan. 3 Jan. 12 Jan. 13 Jan. 24

British Funds continued to lead stock markets into higher ground yesterday, but turned hesitant towards the close. Gains ranging from 1 1/2 to 2 1/2 per cent. were recorded in 12 of the 15 funds. The FT Industrial Ordinary share index rose 1 1/2 per cent. to 484.5 at 3 p.m. when it was a net 0.5 down, and subsequently edged further to end at 484.5.

miners had threatened industrial action if area incentive schemes were introduced coupled with the Government's peace formula. The latter were being begun in the coalfield areas.

Bank Ireland firm Demand in a thin market prompted a rise of 20 to 345p in Bank of Ireland, which had been down 10 to 325p.

Coalite and Chemical, at 70p, were favoured at 214p up 4, after 315p, along with Manganese Bronze, a similar amount dearer at 64p.

Consumer Goods (Durable) F.T.-ACTUARIES INDEX APR MAY JUN JUL AUG SEP OCT NOV DEC 1977

lited Hanson Trust 41 to 132p sd, after 134p, while Stonehill, at 84p, regained 5 of Friday's fall of 8 to 189p.

Properties improve Properties made another bright showing, although the close was generally below the best.

Dutch shed 4 to 542. Elsewhere, Oil Exploration gave up 4 at 318p, but LASMO Ordinary rose 6 to 189p.

Uranium move ahead A feature in mining markets was the strong demand for Australian uranium issues following last Saturday's re-election of the Liberal and National Country Party in the Federal election.

Uranium move ahead A feature in mining markets was the strong demand for Australian uranium issues following last Saturday's re-election of the Liberal and National Country Party in the Federal election.

FINANCIAL TIMES STOCK INDICES Table with columns for Dec 12, Dec 9, Dec 3, Dec 1, Dec 28, Dec 29, Dec 30, Jan 11, Jan 3, Jan 12, Jan 13, Jan 24

HIGHS AND LOWS S.E. ACTIVITY Table with columns for High, Low, High, Low, Daily, Weekly, Monthly, Quarterly, Half-Yearly, Annual

OPTIONS TRADED Table with columns for DEALING DATES, Last Deal, Last Declara- tion, Last Settlement, For Share Information Service

NEW HIGHS AND LOWS FOR 1977 Table with columns for NEW HIGHS (101), NEW LOWS (11), CANADIANS (11)

Long Gilts up again A continuation of Friday's strong upward movement in long-dated British Funds caused in part by widespread demand attracted by the sector's favourable yield structure and the announcement that the tap at this end of the market had run out.

Bank Ireland firm Demand in a thin market prompted a rise of 20 to 345p in Bank of Ireland, which had been down 10 to 325p.

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APOLLO Edited by Denys Sutton The world's leading magazine of Arts and Antiques Published Monthly price £1.50 Annual Subscription £21.00 (inland) Overseas Subscription £24.00 USA & Canada Air Assisted \$48

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ACTIVE STOCKS Table with columns for Stock, Denomina- tion, Closing price, Change, 1977 high, 1977 low

FT-ACTUARIES SHARE INDICES These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

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AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

Table of authorised unit trusts including categories like British Life Office, Guinness, and various international funds.

Table of offshore and overseas funds including categories like Fidelity, Guinness, and various international funds.

CLIVE INVESTMENTS LIMITED advertisement with contact details and investment options.

INSURANCE BASE RATES advertisement listing various insurance policies and rates.

BASE LENDING RATES advertisement listing various bank lending rates.

The Army Benevolent Fund advertisement with a headline 'The war that never ends' and a photograph of a soldier.

INSURANCE, PROPERTY, BONDS

Large table listing various insurance, property, and bond products from multiple companies.

NOTES

Notes section containing small text and footnotes related to the financial data.

